European Commission

User Needs in the Postal Sector and Evaluation of the Regulatory Framework

Final Report

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Report finalized: 14 July 2020
Report published: 1 March 2021

wik CONSULT

DG GROW

EUROPEAN COMMISSION

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2021

PDF	ISBN 978-92-76-21416-8	doi:10.2873/902673	ET-03-20-571-EN-N

Printed by WIK-Consult GmbH *in* Germany

Manuscript completed in July 2020

Luxembourg: Publications Office of the European Union, 2021

Contents

List of figures

List of tables

List of case studies

List of research questions

Country abbreviations

Abbreviation	Country
AT	Austria
BE	Belgium
BG	Bulgaria
CH	Switzerland
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
EL	Greece
ES	Spain
FI	Finland
FR	France
HR	Croatia
HU	Hungary
IE	Ireland
IS	Iceland
IT	Italy
LI	Liechtenstein
LT	Lithuania
LU	Luxemburg
LV	Latvia
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovak Republic
UK	United Kingdom

Terms and abbreviations

ACM	The Netherlands Authority for Consumers & Markets,
ANACOM	Autoridade Nacional de Comunicações - National Communications Authority of Portugal
ARCEP	L'Autorité de régulation des communications électroniques et des postes - Regulation Authority for Electronic Communications and Posts in France
B2B	Business-to-business
B2C	Business-to-consumer
BIPT	Belgian Institute for Postal Services and Telecommunication / Belgisch Instituut voor postdiensten en telecommunicatie
BNetzA	Bundesnetzagentur (Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway, Germany)
C2X	Consumer-to-consumer/business
CAGR	Compound average growth rate
CEN	Comité Européen de Normalisation - European Committee for Standardization
CEP	Courier, express and parcels
CNMC	Comisión Nacional de los Mercados y la Competencia - National Commission on Markets and Competition (Spain)
EEA	European Economic Area
ERGP	European Regulators Group for Postal Services
EU	European Union
EU Cross-border Parcel Regulation	Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services, OJEU L112/19 of 2.5.2018
EU-28	The European Union after 1 July 2013, with 28 Member States
EUR	Euro
Eurostat	Statistical Office of the European Communities
FSC	Fastest standard category
GDP	Gross domestic product
IPC	International Post Corporation
MS	Member State(s)
NA	No answer/not available
NRA	National regulatory authority
Postal Services Directive	Directive 97/67/EC of the European Parliament and of the Council as amended by Directive 2002/39/EC and Directive 2008/6/EC
PostEurop	Trade association presenting European public postal operators (universal service providers)
SME	Small and medium sized enterprises

TC	Technical committee
UPU	Universal Postal Union
USO	Universal service obligation
USP	Universal service provider
VAT	Value added tax
WIK	WIK Wissenschaftliches Institut für Infrastruktur und Kommunikationsdienste GmbH
WI	Working items

Executive Summary

Objectives of this study

The aims of this study are to analyse changing user needs in the postal sector, and evaluate various aspects of the Postal Services Directive (Directive 1997/67/EC on common rules for the development of the internal market of Community postal services and the improvement of quality of service).

One main objective of the study is to identify the needs of business and private postal users given changing communication patterns from paper-based to electronic communications. Member States are in varying stages of development depending on broadband expansion, digital skills of individuals and businesses, and public authorities' readiness to implement e-government applications. Therefore, the needs for universal service are not uniform across the EU.

A separate objective of this study is to evaluate various aspects of the current Postal Services Directive (Postal Services Directive). This evaluation applies the five principles of the European Commission's Better Regulation Guideline (effectiveness, efficiency, relevance, coherence, and EU added value), and supports the Commission's ongoing evaluation of this Directive. The evaluation takes into account the amendments of the Postal Services Directive in 2002 and 2008. This study presents elements of an ex post evaluation, i.e. it does not carry out any impact assessment to evaluate whether it is fit for purpose in the future.

Methodology

Our methodology is built on two pillars: extensive data collection and stakeholder interaction. Our desk research included extensive analysis of market reports and statistics, legislation, studies and surveys as well as press articles from all Member States. In particular, it compiles user needs surveys that have been published in various Member States during the last five years. This systematic review of 64 recent studies from 16 countries provides important insights into Member States specific usage of postal services today and in future, delivery locations, frequency of delivery, speed and time of delivery, postal outlets networks, and potential issues for vulnerable users. Although the methodology of these studies varies, the results provide a solid basis for our own genuine empirical research and are drawn upon for comparison to our own findings.

A key component of our methodology was to collect views from stakeholders. We conducted an online stakeholder survey that collected 418 responses from regulators (44), operators (44, including 28 USPs), and postal users (331 contributions from business senders, their associations, and consumer associations). We collected responses from all 31 EEA Member States, including the 28 EU Member States, and

Switzerland. *(Note: Throughout this report, 'Member States' include the United Kingdom since this report was commissioned in December 2018, and prepared in 2019, prior to Brexit.)*

The evaluation was underpinned by in-depth interviews with postal operators, national regulatory and competition authorities, postal ministries, user associations, and business senders. We carried out a survey among European postal regulators about their administrative costs, exchanged intensive correspondence with stakeholders, and consulted with the ERGP and PostEurop committees, as well as many of their members.

Service cuts in delivery will impact the use of letter services

EU postal markets are facing significant volume declines for most letter segments, and declines are expected to continue. By contrast, further growth is expected for e-commerce shipments sent by parcel service or letter service. As of 2017, the average letter volume per capita was 120 in the EU. For the Member States that joined the EU before 2004, average volume per capita was 130, compared to 273 for the additional EEA countries and Switzerland. The ten members that joined the EU in 2004 had 72 letters per capita on average, and the Member States that joined in 2007/2013 had 24 letters per capita.

If the overall trend continues to the same extent, we would assume that the letter segment will lose about 12 per cent of revenue until 2025, and reduce by 32 per cent in volume. At the same time, the volume in the parcel segment could more than double and revenues increase by around 46 per cent till 2025. The growth of e-commerce can compensate revenue losses in the letter segment for many (but not all) universal service providers in the EU. Regional differences in the letter and parcel market are expected to persist.

In order to compensate for revenue declines, postal operators will continue to increase prices for letters, and the share of domestic overnight delivery (D+1) might continue to decrease for letters. USPs will continue to improve efficiency by considering further quality cuts and exemptions from daily delivery, at least in (rural) parts of their countries. This, in turn, will affect postal users' willingness to substitute letters for alternative solutions. In this context, hybrid mail provides an opportunity to manage the step from letter communication with customers to electronic communication. However, its future role cannot compensate for revenue losses in the letter segment.

For the parcels market, we expect continuing competition that will lead to even greater variety of carriers and tariff schemes. New parcel services and add-on services emerge to meet the needs of recipients, and thus the requirements of e-retailers. Today, quality of service in the B2C parcel delivery increasingly offer next/same day delivery, track & trace, delivery windows, re-scheduling, and generally, exceed the minimum requirements of the Postal Services Directive and national regulations. There are no indications or doubt expressed by stakeholders about the growth expectations for the e-commerce market for the next 5-10 years.

There is a high potential for new digital communication devices and applications within the next 5-10 years

To validate postal user survey findings, we have considered how drivers for future developments will influence e-substitution and which prerequisites for the adoption of digital solutions will have to be fulfilled. The actual behaviour of the users in 5-10 years will depend on ubiquitous broadband coverage and internet use, overall digitisation of business and private users' communication, and the provision of e-government services.

On average, approximately 97% households in the EU with internet access had access to broadband in 2018. NL and IS approach an almost 100 per cent coverage while BG had the smallest share with 71 per cent in 2018. Despite of the notable differences between Member States and also between urban and rural areas within countries, internet use is almost ubiquitous among younger age groups and the elderly are catching up. 80 per cent of all individuals in the EU-28 have at least low digital skills (2017) and therefore we assume a high potential for new digital communication devices and applications within the next five to ten years. Social media has already convinced individuals to use it for everyday communication and to save letter writing for special occasions (e.g. greeting or holiday cards).

Businesses make slower but steady progress in digitising their processes and in this segment, letter prices may have little effect. Costs are only one factor, faster response rates, increased data collection/analysis opportunities are main drivers and might soon lift use of e-invoices and digital integration with partners. In 2017, only 18 per cent of enterprises within the EU-28 have electronically linked their processes to suppliers or customers and only about 20 per cent of all businesses send digital invoices. On the other hand, only three per cent of all businesses are not connected to the internet.

Over the last years, we have seen a growing use of the internet when interacting with public authorities. Overall, strategies like the Single Digital Gateway by 2023 (where 21 administrative procedures should be fully online in all EU Member States) will have a major impact on the postal market.

The overarching policy objectives in this field might not be reached yet and e-government services only affect a small share of the letter segment. However, the main principle to communicate with public authorities electronically as the default option will lead to spill-over effects on business communication altogether and could be disruptive.

In highly digitised countries, businesses feel that letters are burdensome and time-consuming

Not surprisingly, usage of postal services is not as relevant to individuals and business today as it was in the past. The results of the WIK stakeholder online survey of postal users show that today only 9 per cent of respondents (business users and associations) use only letters for communication, 10 per cent mostly or only use digital solutions, and 11 per cent say letters are still used but are not very important. User surveys in the Member States indicate a high impact of demographic change as younger people send and receive fewer letters but more parcels than older citizens. In some Member States, the share of individuals not sending any postal items at all is relatively high (MT and RO around 40 per cent). In highly digitised countries like DK and NL, businesses already feel that letters are burdensome and time-consuming.

As regards delivery, private consumers like the level of service they are used to, in particular regarding frequency of delivery. Although there is six days per week delivery in some Member States and five day delivery in others, there are no substantial differences in user satisfaction. In recent years, postal operators have introduced letter services with even lower frequency of delivery (e.g. in Denmark and Italy), but consumers seem to find the new service levels acceptable, given the fact that there are many digital and faster alternatives for urgent communication.

In the future, we expect users in other countries will be ready to accept reduced services when it comes to frequency of delivery. Private users would accept four delivery days (or less) in many countries as Member States surveys reveal, while businesses still have a stronger interest in five-day-delivery and collection. From our online survey, we can conclude that any business related mail is still very important to users. As regards the pace of delivery (to the doorstep or to a postal outlet nearby), the overwhelming majority prefers delivery to the doorstep in most Member States.

Users value choice between fast and slow postal services

From our literature review, we conclude that in many countries a slower delivery standard appears acceptable for both private and business users, but there has to be some options for next day deliveries for urgent postal items. There is also a high percentage of users who regard proximity of postal outlets and a dense network of postal outlets as indispensable in future. This is also reflected in the responses to the WIK Stakeholder online survey 2019.

Group of vulnerable users will shrink over time. Free services for the blind remain important.

When discussing future use of postal service, regulators and postal users are sometimes concerned about potential ‘vulnerable postal users’ within the EU. However, few Member States have discussed this topic, and researched the identities and needs of such vulnerable users. People with restricted mobility, blind people or people with impaired vision, and inhabitants and SMEs in rural or remote areas are often mentioned in these discussions. Vulnerabilities might occur if digitisation processes leave some parts of the population behind.

Today, 12 per cent of the EU-28 population have never used the internet. This part of the population still depends more on postal services than others and if universal service obligations would be reduced these groups might be affected. However, as of today, Member States have not taken action to protect potential vulnerable user groups because the postal services ensured that they are socially included. We expect that the group of potential vulnerable users will decrease over time for demographic reasons, better digital skills, and more affordable and ubiquitous broadband connection. At the same time, digital devices and solutions offer potentials to compensate individual shortcomings and disadvantages for many people.

Free services for blind and partially sighted people have traditionally been offered as part of the universal service in all Member States, and are undisputed in all Member States. These services (transport of relatively heavy documents printed in Braille) are still widely needed and appreciated by blind and partially sighted people, and expected to remain important in the future.

Letters are slowly becoming communication of last resort, but universal service remains important for the foreseeable future

In the future, letters will be increasingly considered as the communication of last resort, a channel that is used only if more convenient digital solutions are not available for a specific use case. However, this process takes time, and future changes in regulations should take into account that letters will not be substituted completely for all user groups within the next 5-10 years at least. In our stakeholder survey, the ranking of societal needs from the users' point of view hardly changes within the next 5-10 years.

Delivery of e-commerce, medical supplies, bank cards, election and court documents seem to remain important to users. Most postal users see the scope of USO, and service levels in rural areas, as indispensable today. However, changes in delivery frequency, density of access points and speed of delivery might become more acceptable in future. Users give little importance to the role of postal services for higher level functions such as ensuring affordable communication, providing comparable living conditions, and sustaining reliable nationwide communication.

At a general level, the need for universal service remains undisputed in the foreseeable future. Despite the postal users' changing communication habits, they still need a ubiquitous postal service, and postal addresses guarantee that all citizens can be contacted where other channels do not work. Consequently, the postal service will serve as a communication channel of last resort for the foreseeable future, even in countries with high levels of e-substitution. However, this need for universal service may be ensured more cost-effectively by a strictly reliable, but less rapid service.

Since the Postal Services Directive was introduced in 1997, it has ensured universal service provision throughout the EU

The evaluation of aspects included in the Postal Service Directive is a backward-looking analysis to assess whether the overall goals of the Postal Services Directive have been achieved since it was introduced in 1997. This study specifically evaluates many of these regulatory aspects, and discusses how regulation could be improved for each of those aspects if it was to be changed. We would like to stress that this study has not analysed whether or when the Postal Services Directive should be revised, nor do we offer any recommendation on a need to revise this directive. The study supports the Commission Services' own evaluation of the Postal Services Directive but does not anticipate its results.

Overall, our evaluation of the Postal Services Directive acknowledges the positive impact it has had on European postal markets, in particular on ensuring universal service provision throughout the EU, limiting price increases to the extent necessary to cover costs, and significantly improving quality of cross-border services. It is our understanding that the Postal Services Directive has greatly contributed to improving postal services and ensuring postal users' interests are protected. That said, the evaluation identifies, from a technical perspective, which provisions of the Postal Services Directive could be further improved (putting aside costs for implementing a revised Postal Services Directive at the national level and the costs for changing established procedures for regulators as well as operators).

The evaluation focusses on seven regulatory aspects:

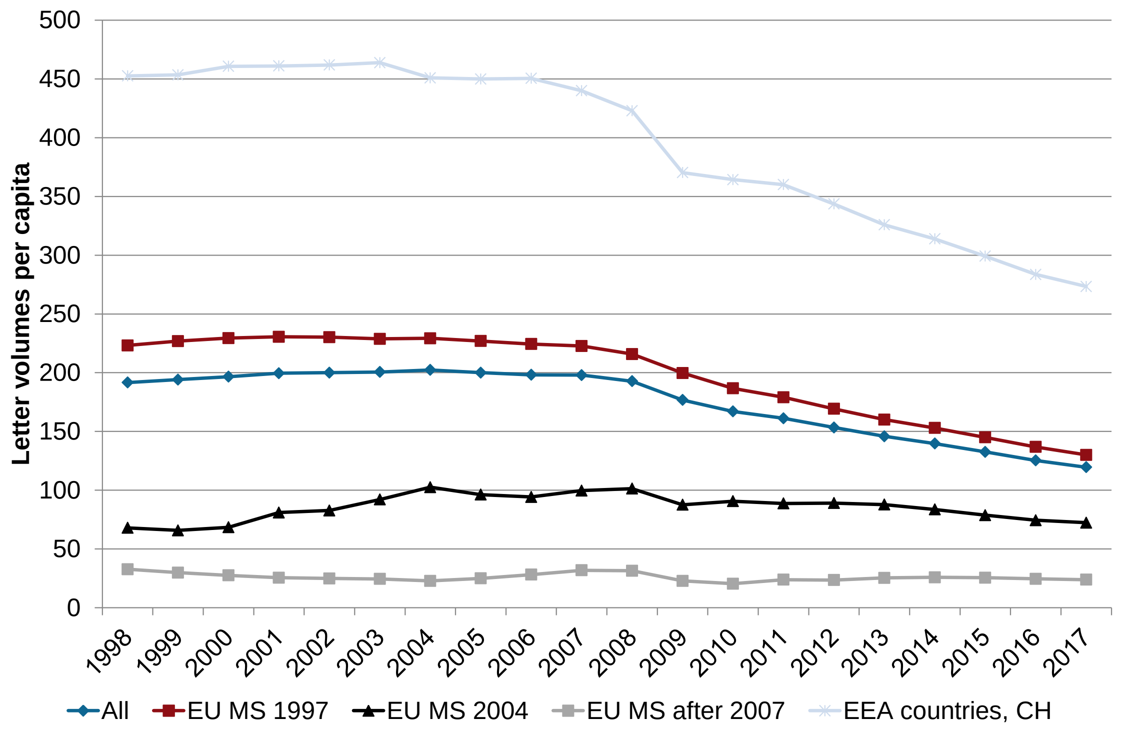
1) ensuring the universal service,
2) quality requirements,
3) complaint procedures,
4) price regulation,
5) level playing field and market access,
6) harmonising technical standards and
7) establishing independent regulators.

Each of these aspects is evaluated using the five criteria defined in the Better Regulation Guidelines: 1) effectiveness, 2) efficiency, 3) relevance, 4) coherence, and 5) EU added value.

The ex post evaluation of the Postal Services Directive assesses to which extent it has contributed to achieving its overall objectives. The three objectives we have used to evaluate the Postal Services Directive (and that we have agreed with the Commission services), are: First, the sustainable provision of affordable, high-quality universal postal service. Second, achieving the Internal Market. And third, to harmonising principles for postal regulation.

Postal markets were characterised by stable or increasing volumes and quality improvements until the financial crisis of 2007/08. Since 2008, volume declines have negatively affected service quality and profit levels of USPs

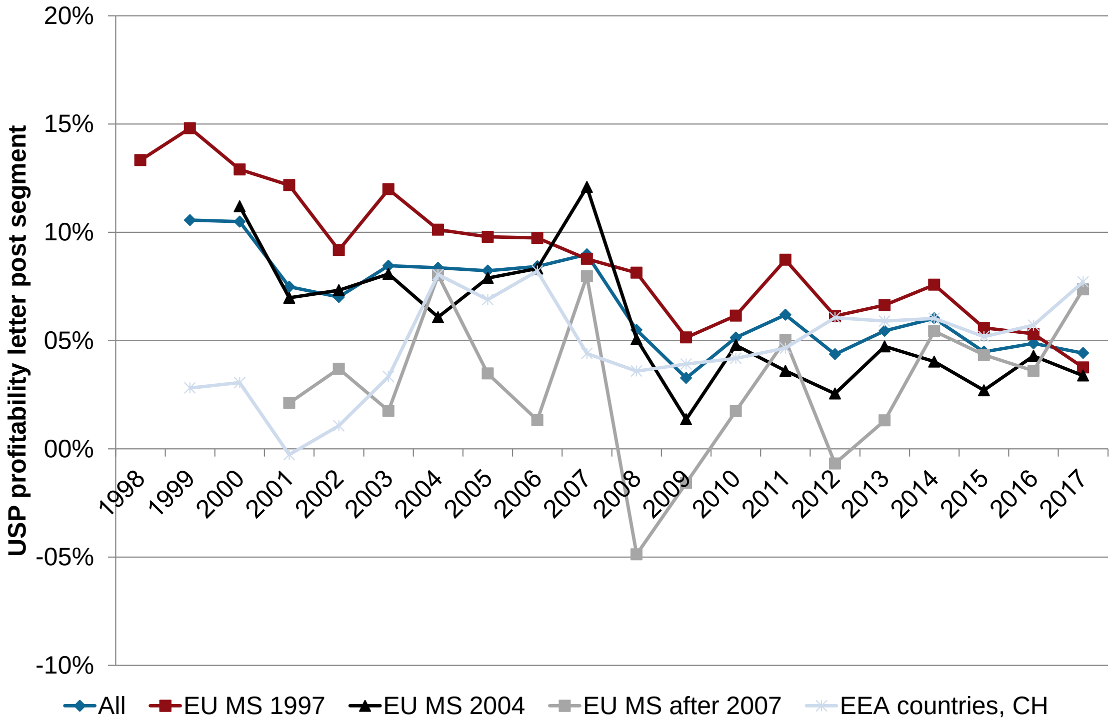
Figure 1 Average letter volumes per capita by country group



The development of postal markets since 1998 is similar for all country groups, as illustrated by the figure above. On average, postal items per capita in the EU Member States were stable or increasing until 2008 when the global financial crisis triggered substantial change.

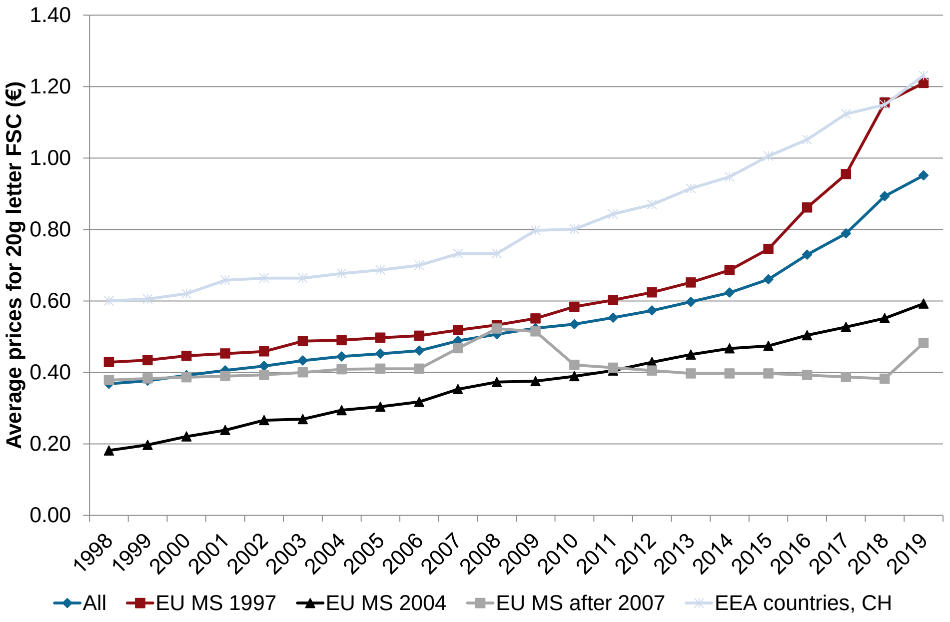
Norway, Iceland, Liechtenstein and Switzerland had seen slight declines even before 2008 but started from a much higher level, and thus had more to lose. They still enjoy volumes that are considerably higher than in the EU-28.

Figure 2 Average USP profitability in mail operations, by country group



The figure above illustrates profitability of universal service providers in their mail operations. Overall, USPs in the Member States have generally managed to operate profitably throughout the EU, even though the negative trend in letter volumes has negatively affected their profitability over time.

Figure 3 Average public tariff for domestic letters (20g, fastest standard category), by country group

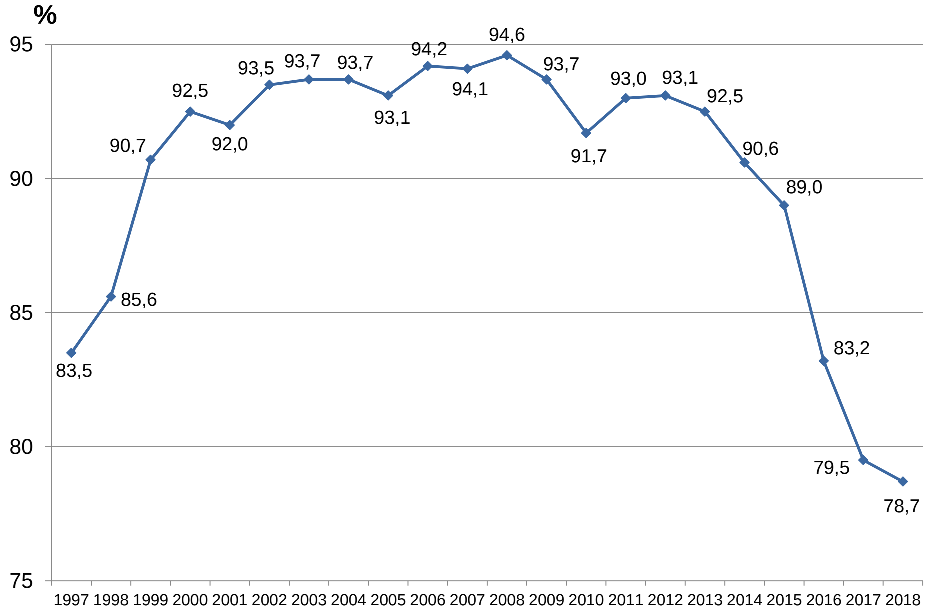


Public tariffs for sending letters have largely increased at similar levels as inflation before 2008, but public tariffs have increased at higher rates in the last years. This is a result of volumes declines. As there is substantial fixed cost in letter delivery, declining volumes are causing increases for average cost. No data is available about prices for commercial senders of mail in large quantities.

Effectiveness: Universal service provision is ensured, but complaint procedures could be more effective

Looking back to about two decades of universal service provision under the Postal Services Directive, there have been no major shortcomings in any Member State. Universal service providers offer universal postal services as well as postal services outside the scope of universal service. In most countries, universal services comprise single-piece as well as bulk letter and parcel services, but compared to 1997 there is a growing number of countries that ensure only single-piece mail as universal services. The Postal Services Directive requires universal services to be delivered at least five working days per week. Recently, some countries have reduced frequency of delivery and others plan to follow. Although the Postal Services Directive currently offers substantial flexibility in this respect, it is unclear how far delivery frequency could be reduced (in some areas or for some products) in line with the Postal Services Directive, and whether the CJEU would confirm such flexible interpretations if the issue was brought to court in the future.

Figure 4 D+3 performance development 1997-2018



Source: based on Main Developments 2013-2016; IPC, UNEX CEN module 2018 results

The Postal Services Directive has brought about substantial quality of service improvements for cross-border, intra-Community mail (see figure above), in particular in the first years after the Postal Services Directive was introduced. However, developments in quality of service for international letters indicate a turnaround since 2008. The positive trend has reversed, and was mainly been triggered by letter volume declines which reduced economies of scale and induced pressure on cost. Among other measures, operators reduced quality of service to cope with this cost pressure. In addition, several countries recently have reduced delivery of frequency which also has a negative impact on quality of cross-border services. Unlike delivery of letters, delivery of cross-border e-commerce items in the EU is constantly improving.

There are shortcomings in complaint procedures, since such procedures are often unsatisfactory for postal users in practice. Effectiveness of complaint procedures is reduced by a lack of receivers' right to file a complaint, a lack of compensation schemes in many countries as well as by a lack of enforcement of existing standards.

Principles for price regulation defined in the Postal Services Directive have effectively limited price increases. There are uniform tariffs in all EEA Member States and Switzerland. There is a lack of effectiveness relating to tariff principles of transparency which does not apply to general discounts. The principle of non-discrimination has been rendered irrelevant by the CJEU's decision in the bpost case. The Postal Services Directive principles on setting prices for terminal dues have not been monitored by postal regulators so far.

The Postal Services Directive has effectively opened the market to competition. All EU Member States and Norway have completely abolished their reserved areas as required while Switzerland, Iceland and Liechtenstein maintain a postal monopoly up to 50g. However, there is very limited competition on European letter markets even after several years of full market opening. Letter volume declines throughout the EU make markets unattractive for entrants and we do not expect competition will much increase in the future. In the most competitive Member States, incumbent postal operators are facing market share around 80-85 per cent and apparently that is the maximum level of competition that can realistically be expected in letter markets, given the traditionally strong position of USPs and the extensive economies of scale and scope.

The Postal Services Directive aims at harmonising technical standards which is a task for CEN technical committee 331. In practice, there are only two out of 43 standards published by TC 331 which are mandatory, and even those are not applied by all USPs within the EEA Member States. Establishing independent regulators is a major tool defined in the Postal Services Directive to achieve its objectives. Even though all countries, with the exception of Liechtenstein, have established regulatory authorities, the independence of NRAs is limited in few cases, e.g. where governments can suspend decisions taken by the authority.

Overall, the Postal Services Directive has been mostly effective to achieve its major objectives of providing affordable, high-quality universal postal services. It has contributed to (but been relatively less effective in) realising the Internal Market for postal services and harmonising principles for postal regulation. Yet there is room for improvement, in particular concerning the implementation of functional complaint procedures and ensuring a level playing field for USPs and competing postal operators.

Inefficiencies exist in ensuring and financing USO, e.g. where compensation funds and broader designation than necessary are applied

The Postal Services Directive has brought about substantial benefits by opening postal markets to competition. Postal users benefit from greater choice as well as more efficient and innovative postal services than in the 90s while price controls limit price increases for single-piece mail.

Shortcomings in efficiency exist however, namely where national regulatory approaches to ensure and finance universal service do not fully exploit the potentials the Postal Services Directive offers. For example, designating universal service providers for the whole area of a country, and all services included in the universal service, might not be necessary and is potentially burdensome for the designated operator. Efficiency improvements could be realised if Member States combined designation and other approaches such as procurement or market-based solutions to ensure universal service provision, in particular for defined services (e.g. newspaper delivery) or in specific geographical areas (e.g. on islands).

In the past, some Member States have ventured to establish compensation funds to finance the net cost of universal service obligation (USO). They faced inherent problems of setting up compensation funds, namely the bureaucratic nature which creates substantial efforts for regulators and operators, and the marginal contribution of these funds to financing the USO in postal markets with a dominant operator. These problems make compensation funds a very costly and inefficient mechanism to finance the net cost of the USO.

European postal regulation has been and still is relevant today

In the 1990s, the relevance of postal regulation was undisputed: evident shortcomings in quality of service and low harmonisation of national regulation showed a need for regulatory action. Before the Postal Services Directive was introduced, it was a commonly uttered concern that liberalisation of European letter markets would put the interests of postal users, mostly private users, at stake and harm the ubiquity and affordability of the universal service if universal service regulation would not arrange for guiding principles. That has not occurred.

Today's and future users are ready to accept reductions in quality and universal postal service features, in some Member States earlier and more widely than in others. Yet even in the most digitised countries, there is still a need to ensure universal postal services are reliably provided, even if users are not sending or receiving postal items every day. In a context of declining postal markets and downsizing universal service requirements, it is still in the interest of users to ensure a minimum level of postal services of a specified quality. The level of quality of service that would best meet user needs, though, is very different between countries. Therefore, regulation of universal postal service clearly remains relevant today.

The Postal Services Directive lacks coherence in several aspects

Many rules in the Postal Services Directive are coherent with other European legislation. However, since the Postal Services Directive was last amended in 2008, other European legislation has developed further, entailing inconsistencies with other regulation as well as deepening the gap between regulatory principles fixed in the Postal Services Directive and those anchored in other sector-specific regulation.

In comparing it with the European Electronic Communications Code (EECC), there is an important difference regarding the flexibility of universal service requirements. The EECC explicitly provides more flexibility to Member States in defining the scope of the universal services by adapting the scope to national circumstances and user behaviour. In defining the postal universal service, for example, the Postal Services Directive could also take into account differences in broadband availability or take-up of e-government solutions that act as a driver for letter service demand. Horizontal rules relevant for the postal sector include VAT legislation, customs rules and rules for the transport sector which may currently create competitive distortions.

The EU is currently actively pursuing the digitalisation of private and public services and striving for good connectivity with telecommunications networks. This leads to a substitution between paper-based communications services and digital based communications services and an increase in ecommerce services. However, the Postal Services Directive is not technologically neutral regarding the communications services as it focuses on the communications services which are paper-based. This may raise tensions between the different policies of the EU

Regarding the protection of personal data, the GDPR has created new obligations for postal operators that need to be taken into account, in particular when third parties have access to address databases managed by postal operators. In addition, safeguards for independence of sector-specific regulators are stronger in other sectors than in the postal industry, in particular in electronic communications and the electricity sector. There is a need to align the European Commission’s ERGP decision with its revised horizontal rules for expert groups.

By comparison with regulation of other network industries, the Postal Services Directive shows a lack of important principles such as a clear attitude towards user rights and the principle of least market distortions. In addition, the internal coherence of the Postal Services Directive might be at stake in the future: as letter volume declines are driving costs per unit already today and this trend is going to continue in the future, single-piece prices will increase more strongly. While such price increases are in line with the cost orientation principle, future price increases might in principle violate the affordability requirement for specific user groups . Affordable postal services remain important for specific vulnerable user groups, e.g. low-income groups without access to digital services. In practice, we have not found examples of non-affordable postal services.

Terminal dues for intra-Community cross-border mail should be fixed in relation to the costs of processing and delivering. Current terminal dues applied for intra-Community mail are often based on UPU terminal dues (which are not necessarily related to costs) and may be discriminatory. Future self-declared rates may be better aligned to costs but are only optional so far, and will not apply fully before 2025.

There is EU added value in regulating postal markets

The EU added value in regulating the postal industry is very clear in those aspects related to international mail. For these international services, Member States would face difficulties in enforcing compliance with rules in other Member States. Regulatory aspects where EU added value is most distinct are in particular quality of intra-Community, cross-border services, user protection by ensuring cross-border complaint procedures, harmonising technical standards, and harmonised market liberalisation.

It is very unlikely all Member States would have established postal NRAs without regulatory intervention at the European level. In some areas, it is imaginable that Member States would have found equally functioning solutions without the Postal Services Directive, e.g. in defining the scope of universal service. However, added value is provided by harmonising minimum requirements for universal services, which contribute to economic and social cohesion in the Member States, and the EU.

Recommendations

We assess the impact of the Postal Services Directive in the last 20 years is overall positive. It has generally worked well in achieving its objectives, and overall it has produced positive results. The most important achievements of the Postal Services Directive in the last 20 years include substantial improvements in (cross-border) quality of service, harmonising regulatory approaches and technical standards, as well as full market opening while protecting postal users and ensuring postal services are universally available throughout the EU. Until today, the Postal Services Directive has enabled Member States to cope with the recent disruptions in postal markets caused by digitalisation and e-commerce.

It is important to note that we have evaluated the Postal Services Directive in order to identify potential areas for improvement of rules within the Postal Services Directive, also considering likely development of needs. We did not, and were not commissioned to, recommend whether or when the Postal Services Directive should be amended. Any decision on amending the Postal Services Directive or not will be considered in due course, on the basis of the Commission’s own evaluation . The recommendations in this study are those of WIK-Consult exclusively. Our recommendations are based upon the analysis of future user needs as well as on the ex post evaluation of the Postal Services Directive’s main regulatory aspects.

The recommendations take into account changes in user needs, disruptive changes in letter markets and their impact on postal operators to adapt their networks and postal operations. Substantial volume declines are proof of obvious, even radical changes in communication behaviour and user needs. From the view of postal operators, volume declines call for changes in regulatory obligations to alleviate financial impacts. Even though postal users would prefer to maintain traditional service levels, many postal users are ready to accept changes. Letter services are less important for urgent communication than at the time the Postal Services Directive was established, and digital alternatives are available to the vast majority of consumers and business users. An assessment of appropriate rules for the postal sector needs to take into account these changes. In light of user needs and market changes, it seems appropriate to find a new balance of the interests of postal users on the one hand, and postal operators on the other.

Our study arrives at the following recommendations:

1) The definition of a postal service should be updated to take into account new business models. It should exclude local delivery from shops and food delivery: a postal service includes at least one processing in a sorting centre.

2) The current Postal Services Directive enables Member States to determine the scope of services within the USO flexibly. This flexibility should be maintained.

3) Member States should be allowed – under certain conditions to be determined – to adapt the frequency of delivery and collection (e.g. to alternate-day-delivery). A reliable postal service for all users should be guaranteed.

4) Cross-border transit time requirements should focus on reliability. In addition to the existing D+5 target for intra-Community cross-border letters, the Postal Services Directive should require very high performance for longer routing time. In order to ensure a high reliability of cross-border transit time for postal users, a demanding D+7 target could be defined (for example, 99% or even more). The D+3 target seems no longer appropriate.

5) To ensure efficient universal service provision, Member States should be required to analyse the feasibility of market-based approach and procurement. The results of this analysis should be published. The Postal Services Directive should clarify that there are three possible approaches to ensure universal services are provided.

6) To avoid excessive obligations, the Postal Services Directive should clarify Member States may ensure universal service provision separately for specific geographical areas or for specific services (e.g. delivery on Saturdays, in remote areas, registered and insured services, special customer groups). Designation for the whole territory, for all universal service should be only applied if needed and appropriate, and if principle of least market distortions is respected.

7) The rules for net cost calculation as defined in Annex I are effective and allow for flexible application in the Member States. Annex I should be maintained.

8) The Directive should strengthen user protection and clarify that the rights of receivers are included within user rights. It should enforce postal operators apply existing CEN standard for complaint handling, and complaint handling procedures are effectively monitored by NRAs. Compensation schemes and out of court resolution schemes should be made mandatory.

9) Price regulation should focus on avoiding excessive pricing and ensuring transparency. Regular price control should be required only for single-piece services with the objective of avoiding excessive pricing. The Directive should clarify that general

discounts within the universal service need to be made transparent. The European Commission could provide guidance on how to assess affordability.

10) Art. 12, 5th indent should be clarified given that recent CJEU jurisdiction has considerably affected the interpretation of the non-discrimination principle defined in Art 12. Competitors, consolidators, and bulk mailers should be granted access to delivery networks on equal terms.

11) Strengthen regulatory oversight on terminal dues. The Directive should strengthen regulatory competences to monitor terminal dues principles.

12) Reduce regulatory burden: apply licensing regimes only for universal service providers. For other operators, general authorisations are sufficient.

13) Harmonising technical standards will become more important as postal operators exchange data along with postal items. The Directive should further encourage participation in CEN work, in particular for operators from small countries and competitors.

14) Strengthen postal regulators‘ independence: The Postal Services Directive should require standards for ensuring postal regulators‘ independence and define harmonised rules for appointing and dismissing NRA heads. The Directive could require equipping regulators with sufficient staff and budget.

15) The ERGP should be codified within the Postal Services Directive to strengthen the ERGP’s role and encourage cooperation.

16) Improve market oversight and competences of regulators: The Directive should ensure Member States dedicate sufficient legal competences to regulators. National postal regulators should be required to analyse postal markets annually, and publish the results of their monitoring. They should also be required to investigate user needs for universal services periodically.

1 Introduction

1.1 Postal user needs in a changing environment

The role of postal services is changing for the single market and for the EU economy compared to several years ago. The Postal Services Directive (Postal Services Directive)[1] defines basic rules for postal services, including universal services, in EU Member States. The Directive was introduced in 1997, and last amended in 2008, more than ten years ago. The Postal Services Directive's key requirements for universal service essentially date from 1997. In light of changing communication habits and postal user needs, it is time for a review of these rules for postal markets and universal postal service.

Article 23 of the Postal Services Directive requires the European Commission to submit a report on its application (i.e. a review) to the European Parliament and Council every four years. In light of substantive changes in the market brought about by changing communication habits and postal user needs, the next report will also be a formal evaluation of the Postal Services Directive in line with better regulation requirements. This does not imply a commitment to revise the Postal Services Directive, although it is a possible outcome.

The Postal Services Directive provides harmonised rules for the development of the internal market in postal services and improvement of its quality of service. The implementation of the Postal Services Directive required Member States to ensure a basic universal postal service throughout their national territories, set out basic guidelines for the regulation of universal services, began a process of gradual and controlled liberalisation, and enabled the creation of independent national regulatory authorities (NRA).

Since then, universal service obligations (USO) have been in place to ensure minimum standards for letters[2] and have remained unchanged for several years: delivery frequency, specific quality requirements, prices that are affordable, cost-oriented, transparent and non-discriminatory, and accessible points of contact to postal services. During the last ten years, some countries have introduced changes, e.g. DK, IT, NL, FI, which we will take into account in this study.

In 2008, the second amendment of the Postal Services Directive (Postal Services Directive 2008) mandated an end to postal monopolies in most Member States by the

1 Directive 97/67/EC (as amended by Directives 2002/39/EC and 2008/6/EC). The Postal Services Directive was amended in 2002 and in 2008 but the minimum scope has not been changed. Both revisions further reduced and then eventually abolished the postal (letter) monopoly. The parcel market has never been a monopoly.

2 Definition of scope letters/letter market.

end of 2010 and for some by the end of 2012.[3] The formal process of market opening has been completed since January 2013.

Today, the main features of the Postal Services Directive are:

- scope of the USO;
- how the USO can be financed in the event that it is loss-making;
- licensing and authorisation requirements;
- intra-EU quality standards;
- data collection;
- complaints handling;
- access to certain infrastructure elements;
- reporting requirements; and
- independent national regulatory authorities that are entrusted with ensuring compliance with Postal Services Directive obligations and that may also be entrusted with the implementation of competition law and consumer protection.

However, the development of competition in Member States has been less than anticipated and today we have to acknowledge a decline in letter markets which have made them less attractive for new competitors.

The original Postal Services Directive had already taken measures to avoid distortions, as far as possible, and ensure a well-functioning letter market by introducing flexibility to how the policy should be developed and implemented in the Member States: According to the Postal Services Directive (Article 5), the universal service shall evolve in response to the technical, economic and social environment and to the needs of users.

Accordingly, to keep the universal service economically viable in light of declining demand for letter services some heterogeneity in the provision of universal services among Member States has emerged in recent years. Trends in relaxing universal service requirements at national level include, for example, a shift of next day delivery to slower minimum standards.

1.2 Objectives of the study

Digitisation and e-commerce have changed communication habits of consumers, businesses, and public institutions during the last twenty years. As a consequence, letter volumes have declined in all EU Member States. As our everyday life becomes increasingly digital, more changes in postal markets lie ahead.

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3 11 Member States, mainly states who joined the European Union in 2004.

The European Commission has commissioned WIK-Consult to evaluate Directive 97/67/EC in light of future user needs. The study analyses the future role of postal services for consumers, businesses, and public institutions and the impact changing user needs will have on universal service. The study was undertaken between January 2019 and December 2019.

The purpose of this study is

- to identify future needs of users including private users (individuals and businesses, e-retailers and bulk mail senders) and public sector users of postal services, both as senders and as recipients.
- to evaluate the functioning of Directive 97/67/EC (as amended by Directives 2002/39/EC and 2008/6/EC), and

with this study, we want to assess

- whether the Postal Services Directive has effectively achieved its objectives: primarily market opening and improvement in the quality of services and the sustainable provision of the universal services;
- whether the Postal Services Directive has been efficient in achieving these objectives, including cost;
- whether the Postal Services Directive is coherent with other legislation and initiatives;[4]
- which added value the Postal Services Directive has at an EU level; and
- whether the original objectives of the Postal Services Directive are still relevant, in particular, the need for letter communication in the single market.

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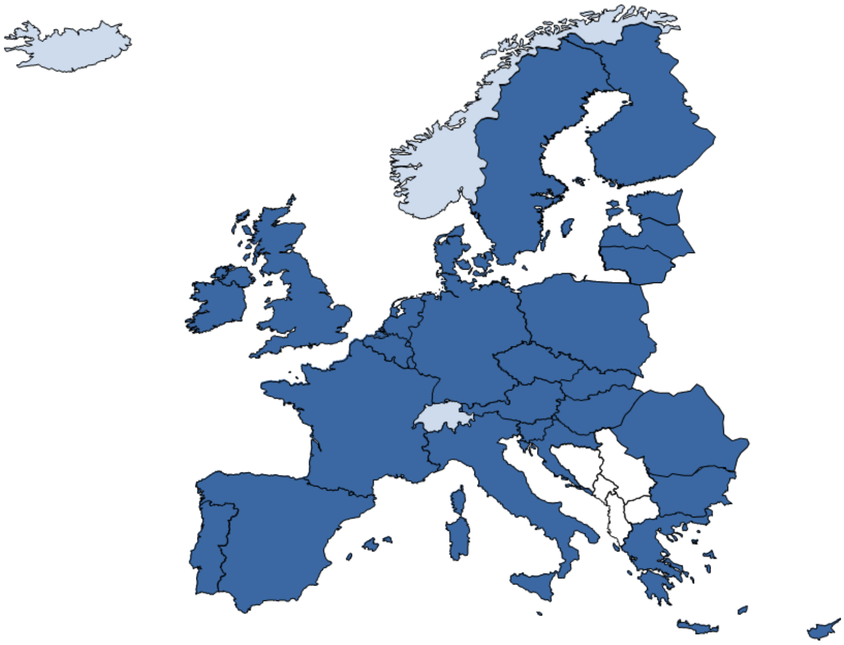
4 Especially with the regulation on cross-border parcel services, and horizontal legislation that is relevant to postal services.

Figure 5 Geographical scope of the study: EEA plus Switzerland



Source: WIK-Consult.

The geographical scope of the study covers the Member States of the European Economic Area, including all EU Member States and Switzerland (CH), see Figure 5.[5]

5 Note: Throughout this report, 'Member States' include the United Kingdom since this report was commissioned in December 2018, and prepared in 2019, prior to Brexit.

1.3 General guidance on the methodological approach

This chapter gives an overview of the methodological approach and the methods used. The general structure of our methodological approach can be seen in Table 1.

Table 1 General structure of methodological approach

Data collection	Stakeholder interaction	Evaluation tool
Desk research ➢ User surveys ➢ Market reports ➢ Legislation ➢ Statistics ➢ Studies ➢ Surveys ➢ Press	Targeted consultation: Online survey (~400 postal stakeholders) 120 In-depth interviews 3 public stakeholder workshops	Evaluation based on Better Regulation Guidelines of the European Commission

Our approach to evaluation is based on the Better Regulation Guidelines (2017)[6] and the immanent principles of effectiveness, efficiency, relevance, coherence, and EU-added value.

The objective of this study is to evaluate specific elements of the regulatory framework and articles of the Postal Services Directive, and offer suggestions for potential improvements of regulatory measures.

Desk research

Collecting qualitative and quantitative information

We have collected a wide range of qualitative and quantitative information which is available in the public domain. Data are mainly provided by WIKs data pool on parcel and e-commerce markets, market reports, press articles, reports from regulators, legislation, and economic and postal related academic literature. Additional information was researched by desk research, and from personal contacts in the postal community.

Documents compiled include:

- Postal statistics database of the European Commission;
- Annual reports of parcel and delivery operators;

6 "VI. Guidelines on evaluation (including fitness checks)" at https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how/better-regulation-guidelines-and-toolbox_en) and "Toolbox on Evaluation (chapter VI. Evaluations and fitness checks)" at https://ec.europa.eu/info/better-regulation-toolbox_en.

- ERGP studies and data;
- Market studies by NRAs;
- User surveys of delivery operators and NRAs/Ministries.
- Information on developments in digitisation, in particular
    - Statistics, e.g. by Eurostat, Eurobarometer Flash
    - E-government factsheets, DESI country reports
- Relevant legislative and regulatory information, in particular
    - Postal and transport legislation and case law
    - Legislation on VAT taxation and exemptions

Our desk research relied on an extensive literature review including

- Member States postal user needs surveys
- ERGP (2016), Report on Universal Services in light of changing postal end users´ needs
- ERGP (2019), Report on Developments in the Postal Sector and implications for Regulation
- Main Developments 2013-2016
- Cross-border parcels study (WIK-Consult)
- 2015 Application Report COM(2015) 568

Highlight practices and give examples (case studies)

Research for this study revealed a broad variety of market and regulatory developments, services, and trends. Case studies help to show details which cannot be derived from aggregated data and figures. These case studies emphasise why a specific aspect has been identified as a best practice, and provide background information. They are used to highlight practices and provide examples of ways how Member States have implemented the Postal Services Directive on, for example:

- Outstanding studies on users' needs from particular Member States;
- Examples of vulnerable postal users (e.g. of special groups like blind and partially sighted, in particular areas, or particular groups within a Member State's population);
- Examples of how user needs have changed with new tools for communication;
- Recommendable exercises of public consultations on universal service or user needs in particular Member States.

Literature review postal user surveys

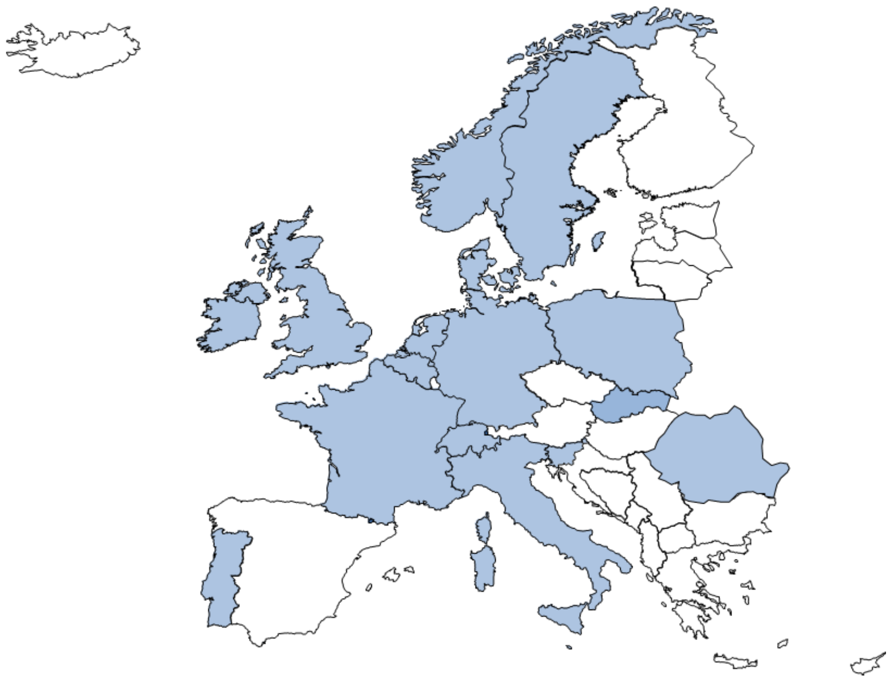
Given the decline in letter services and the growth in parcel services, many European regulators have commissioned surveys to assess the needs of postal users in more detail. In December 2016, the European Regulators Group for Postal Services (ERGP) published a report on universal postal services in light of changing postal end users' needs [ERGP (16) 36].[7] This report summarises the results of user surveys commissioned by national regulatory authorities (NRAs) in a structured way to identify similarities and differences among European postal users on specific topics of the postal universal service. These include accessibility of postal services in terms of the location of delivery (home delivery / alternative delivery options), access points (postal outlets and street letterboxes), the delivery frequency (per week), the transit time, the services included in the universal service obligation (USO), and the pricing of universal postal services. The ERGP report concludes with a preliminary "common core set of user needs" having in mind that the Postal Services Directive defines a minimum set of universal service requirements that leaves significant leeway to the Member States (MS) in the definition of service levels domestically. Flexibility is necessary to reflect the variety of the societal and postal user needs in the Member States.

Our literature review provides an update of the ERGP analysis on postal users' needs to find indications of future users' needs on universal postal services. For this purpose, WIK collected and analysed recently published postal user surveys in the Member States of the EEA, as well as in Switzerland, mostly initiated by the NRAs. The complete list of postal user surveys can be explored in Annex 1.[8]

7 ERGP (2016), ERPG report Universal Services in light of changing postal end users‘ needs, ERGP (16) 36.

8 The list provides for each publication (1) the reference code (country code + publication year) which is used in this section; (2) the author; (3) the title of the study (in the country language and English translation); and (4) the type of survey (CS: Consumer survey; BS: Business survey).

Figure 6 Countries with user surveys in the last five years



Source: WIK-Consult.

In more than half (19) of the 32 countries, regulators initiated at least a consumer survey on postal user needs in the last five years (see Figure 6).[9]

In most Member States, NRAs or responsible ministries commissioned representative user surveys which mainly target consumers[10] and small / medium-sized enterprises (SMEs). The NRAs consider these groups of (relatively) small senders as being potentially more dependent on postal universal services. The surveys usually ask about the usage of postal services (in the users' role as sender and recipient of postal items) and satisfaction with postal services. Some surveys applied more sophisticated approaches to reveal the actual preferences of postal users regarding specific elements of the universal service (e.g. the willingness to pay (WTP) for different service/price combinations gives indications on users' preferences).[11] The variety in the survey design limits the comparability of the results. However, the surveys provide useful indications on users' needs with regard to universal postal services.

9 Italy granted a service compensation to Poste Italiane for distributing, at reduced tariffs, newspapers and publications of book publishers and non-profit organisations in the period 2017-2019. In preparation for this, the NRA held a public consultation on the need for the distribution of certain categories of press. See CEP Research 22 Jul 2019.

10 In this report we use the expressions 'consumer', 'individual' or 'private user' synonymously.

11 See RAND Europe (2011), Study on Appropriate Methodologies to Better Measure Consumer Preferences for Postal Services, prepared for Internal Market and Services DG MARKT/2010/14/E.

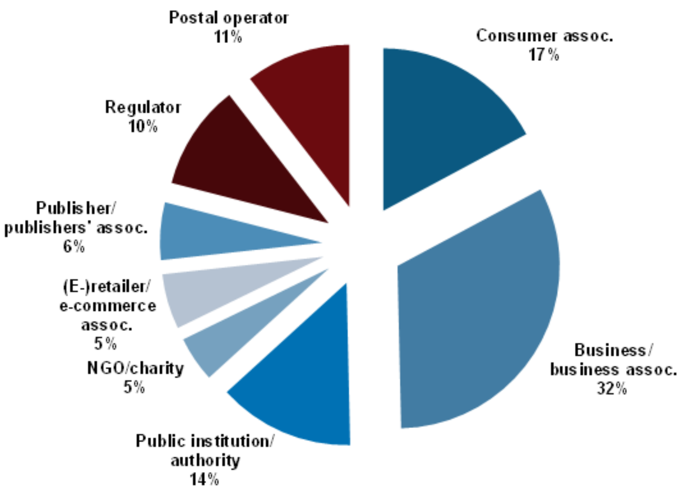
Stakeholder online survey

In order to have a solid basis for our research and impact assessment, we conducted a Stakeholder online survey of the key stakeholder groups.[12] We developed separate questionnaires for

1. Regulators
2. Postal operators
3. Postal users: Consumer associations and business senders[13]

All questionnaires were compiled in English. The survey was drafted and analysed by WIK and technically supported and hosted by the market research company Info GmbH, Berlin.

Figure 7 Responses for all stakeholder groups



Source: WIK Stakeholder online survey 2019 / all stakeholders.

12 In the analysis, we refer to the different groups as WIK Stakeholder online survey 2019 / postal users, WIK Stakeholder online survey 2019 / regulators, WIK Stakeholder online survey 2019 / postal operators, and WIK Stakeholder online survey 2019 / all stakeholders.

13 We did not survey individual users, neither business or private, in the online survey.

We obtained 419 complete responses: 44 regulators (almost all NRAs, ministries), 44 operators (31 USPs[14]), and 331 postal users (see figure below). The open survey was accessible online from 22 March – 17 May 2019. WIK sent out invitations by e-mail including access links to postal stakeholders in the EEA and Switzerland:[15]

- Ministries responsible for postal policy
- National regulatory authorities
- National competition authorities
- Universal service providers
- Postal, parcel & express carriers
- National consumer bodies & associations
- Business associations

14 The non-USPs included 6 suppliers of postal technology from DE and ES and 7 providers of postal, parcel or express services, or international providers from BE, DE, EL, IT, PL, UK.

15 WIK received answers from operators (designated universal service provider (USP), other provider of postal, parcel or express services, or intermediary, supplier of postal technology) from AT, BE, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IE, IS, IT, LT, LU, MT, NL, NO, PL, PT, RO, SE, SI, SK, UK. Answers from postal users (consumer associations and business senders) came from the following Member States (in descending order): PL, ES, DE, IT, FR, RO, NL, PT, CH, HU, AT, BE, NO, DK, MT, SK, UK, BG, FI, HR, IE, IS, LT, LU, SE. Regulators (national regulatory authority (NRA), national competition authority, or ministries responsible for postal regulation) send answers from the following Member States: AT, BE, BG, CH, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IS, IT, LI, LT, LU, LV, MT, NL, NO, PL, PT, RO, SE, SI, SK, UK. Note that sometimes two regulatory bodies responded and that sometimes authorities would send one consolidated, combined answer.

Table 2 Responses by country and type of stakeholder

	Postal operators	Regulators	Postal users
AT	1	1	11
BE	2	1	11
BG	0	1	1
HR	1	1	1
CY	1	2	
CZ	1	2	
DK	1	1	2
EE	1	2	
FI	1	1	1
FR	1	1	29
DE	8	2	33
EL	2	1	
HU	1	2	17
IS	1	1	1
IE	1	0	1
IT	2	1	31
LV	0	2	
LI	0	1	
LT	1	2	1
LU	1	1	1
MT	1	1	2
NL	1	2	25
NO	1	2	9
PL	3	1	41
PT	1	1	24
RO	2	1	29
SI	2	2	
SK	1	1	2
ES	2	1	38
SE	1	2	1
CH	0	2	17
UK	2	2	2

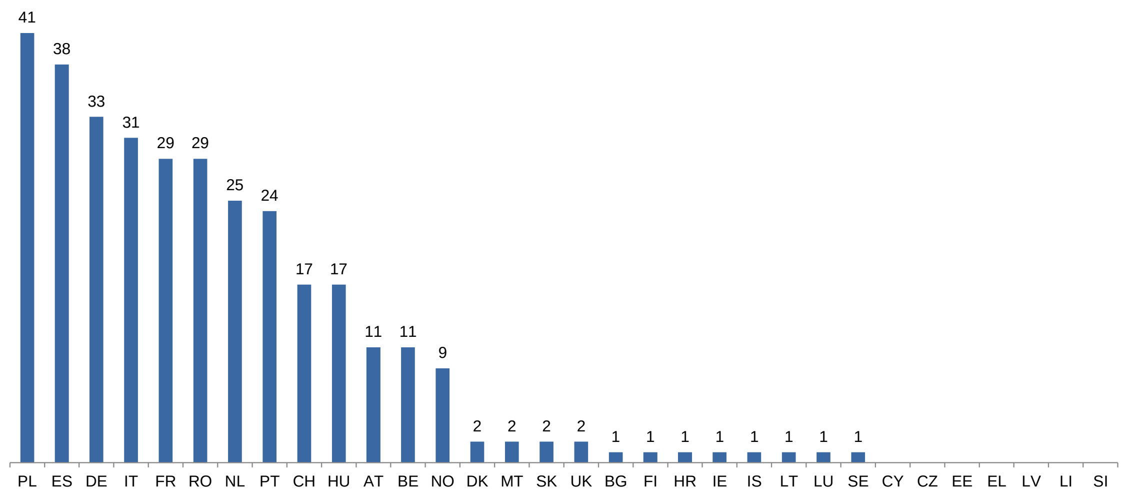
The standardised questionnaire focussed on questions about expectations on future developments, e.g.

- Postal market developments
- Substitution and digitisation
- Impact of e-commerce
- User needs

- Vulnerable postal users
- Provision of (universal) postal services

The groups of regulators and postal operators were also asked to give their views on the current Postal Services Directive and potential amendments.

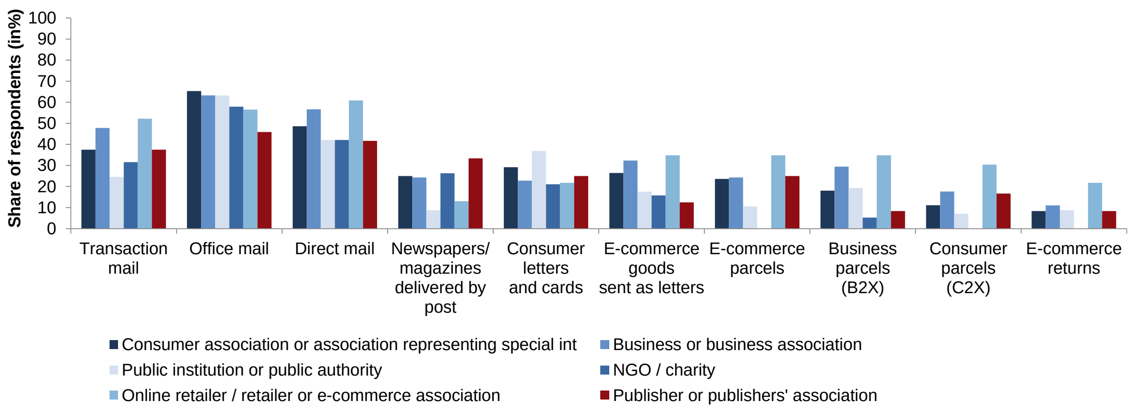
Figure 8 Responses of postal users (per country)



Source: WIK Stakeholder online survey 2019 / all stakeholders.

We received completed questionnaires from 25 countries, mainly PL, ES, DE, IT, FR, RO, NL, PT, HU, CH, AT, BE, and NO (see Figure 8). Participants were screened by the question “Do you take decisions for your business / organisation on sending mail, and the choice of postal service providers / parcel operators?” to ensure respondents from relevant sections of the institutions. The standardised online questionnaire was provided in English.

Figure 9 Purposes for sending or receiving mail (per cent of respondents)



"Please select the type(s) o mail you/your members are sending", N=331

Source: WIK Stakeholder online survey 2019 / all stakeholders.

We also made sure that respondents cover a broad range of relevant purposes for sending and receiving mail (see Figure 9). The respondents provided a self-classification if they belong to a consumer association or association representing special interests, to a public institution or public authority, to a business or business association, to a non-governmental organisation or charity, to the group of online retailers/retailers or e-commerce association, and whether they are a publisher or publishers' association.

All in all, the 331 survey questionnaires give an overview of the views and needs of all relevant stakeholder groups defined in the survey concept beforehand. The results include Member States from Northern, Southern, Western, and Eastern European countries in sufficient numbers and the answers give details from all targeted stakeholder groups.

The aim of this part of the targeted stakeholder involvement was to gain a first insight and to receive input and hints for the following 120 in-depth interviews. Although the survey is not representative for a certain stakeholder sub-group or country, the outcome gives a substantial overview of postal users' needs and shows valuable additional aspects as regards their future behaviour, especially if compared with the results of our literature review. The results may therefore not be representative but they are informative and present significant statements of experts involved in postal matters, either as postal users themselves or as associations representing specific postal user groups.

Stakeholder in-depth interviews

The selection of interviewees was based on their knowledge of the subject, quality of answers to the targeted survey and need for balanced stakeholder and geographical representation. Most interviews were follow-ups to the Stakeholder online survey.

The stakeholder in-depth interviews cover the EEA and provide a cross-overview of the different geographic areas, insight to countries with different market or population size, different economic situations, different competitive situations in the letter market.

WIK used a standardised interview guideline. In total, more than 100 stakeholder interviews were conducted for this study. Interviews lasted from 30 min to 2 hrs. They were used to catch up with current developments and to gain more detailed insight into the stakeholders' views on future regulatory requirements. The expert interviews were conducted with ministries from e.g. CH, DE, NO, PL, SK and NRAs from e.g. AT, CZ, DE, DE, DK, EE, ES, FI, HR, LI, LT, NO, PL, SE, SI, SK. We also conducted interviews with USPs and several carriers from e.g. AT, DE, DK, ES, HU, IE, IS, LT, PT, RO, SE, UK as well as with intermediaries and large senders. There were also many in-depth interviews with postal users (consumer association or association representing special interests, public institutions or public authorities, business or business associations, non-governmental organisations or charities, groups of online retailers/retailers or e-commerce association, and publishers or publishers' associations) from e.g. BE, BG, CY, EL, ES, FI, FI, FR, HR, HU, IE, IS, IT, LT, LU, MT, NL, PL, RO, RO, SI, SK, UK

The aim of the stakeholder follow-up interviews was to have extensive discussions with national postal regulators, national competition authorities, e-retailers, postal operators, postal users and stakeholders about user needs based on user studies and research on future developments to be undertaken at Member States level (including Switzerland), as well as potential amendments to the Postal Services Directive.

Public Stakeholder Workshops

Three Public Stakeholder Workshops were held in Brussels organised by the European Commission and supported by WIK.

1st Public Stakeholder Workshop

WIK presented the study "User needs in the postal sector" at the Public Stakeholder Workshop on 29 January 2019 in Brussels where, additionally, the results of the study "Development of Cross-border E-commerce through Parcel Delivery" were also presented.

The workshop was used to draw attention to the study and to raise stakeholders' awareness for their involvement and contributions (i.e. Stakeholder online survey and follow-up Stakeholder interviews). The launch of the study started discussions as part of the gathering of information and perspectives from all groups of stakeholders and Member States.

2nd Public Stakeholder Workshop

WIK discussed potential amendments with stakeholders at the second public stakeholder workshop on 4 June 2019 in Brussels. Apart from presenting some first findings of the literature review and the WIK Stakeholder online survey, the second Workshop was used to discuss controversial issues, counterintuitive findings, and potential recommendations.

Different stakeholder groups participated, including consumer associations, business sender associations, regulatory authorities, postal service providers, and other postal experts. The workshop served as a platform to better understand their views, to relate and interlink the recommendations, as well as to sharpen them. The workshop was, therefore, an important tool to ensure a comprehensive view of potential amendments and high-quality recommendations.

3rd Public Stakeholder Workshop

At the third public workshop, (17 September 2019, Brussels), draft results of the study were presented to stakeholders. The European Commission invited the stakeholders to see the draft final results of the study which contributes to the evaluation of the Postal Services Directive, and to see the first steps of the new WIK-Consult study on "International Postal Services, Remuneration and Regulation".

The workshop provided an opportunity to learn about, and discuss present and future needs of postal users, and the possible future role of postal universal services as well as the evaluation of the functioning of the Postal Services Directive.

2 EU postal markets and future developments

2.1 Postal market trends

2.1.1 Volumes and revenues

The market situation, as well as the regulatory framework, before the Postal Services Directive (Postal Services Directive) necessarily presents the reference point for the evaluation of the Postal Services Directive. However, it has to be taken into account that the 28 Member States joined the EU at different dates (see Table 3), and 13 Member States joined the EU when the Postal Services Directive was already in place.

Table 3 Date of EU entry

Date of EU entry	Member States
1995 or before	AT, BE, DE, DK, EL, ES, FI, FR, IE, IT, LU, NL, PT, SE, UK
2004	CY, CZ, EE, HU, LT, LV, MT, PL, SI, SK
2007	BG, RO
2013	HR

This section provides an overview of the development of the most important indicators for postal markets in the period between 1998 and 2017. Figures for 2018 are not yet available for many USPs, and hardly at all for national markets (due to a delay in reporting by national authorities). Data before 1998 is not available for this report, as many Member States did not systematically monitor postal markets before 1998. The year 1998 may well be used as a starting point for the evaluation of the Postal Services Directive, as Member States had 12 months' time to transpose the Postal Services Directive into national law, and even after this period, there were many infringement procedures to enforce the full national transposition of Directive 97/67/EC.

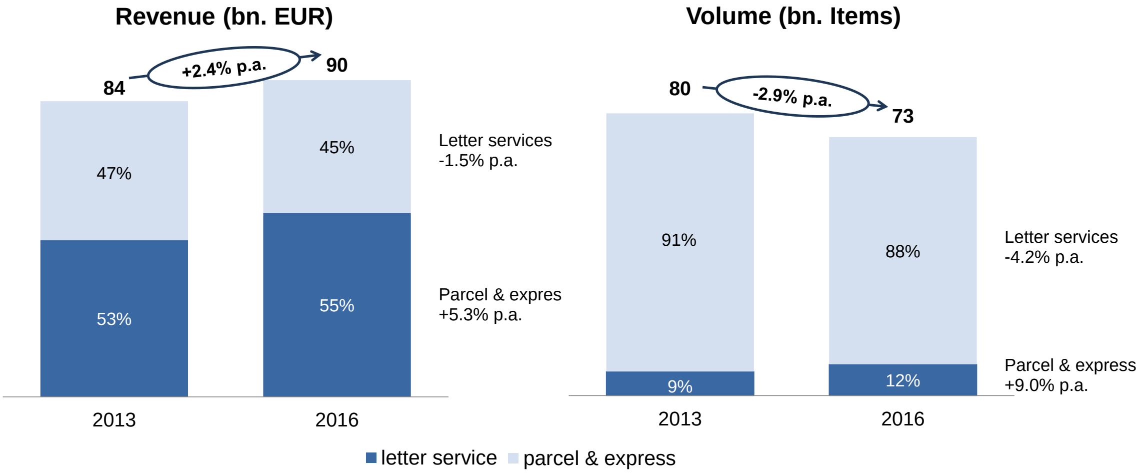
In addition to figures provided for each Member State, we group EU members, including EEA countries and Switzerland, into four country groups according to their date of EU entry and their status as a non-EU country:

- EU Member States 1997: those 15 countries that were EU members when the Postal Services Directive was established,
- EU Member States 2004: ten countries that joined in 2004,
- EU Member States after 2007: three countries that joined 2007 or later; and
- Additional EEA Member States (Iceland, Liechtenstein, Norway) and Switzerland.

Postal market size

Postal services play a central role in an effective and dynamic single European market. In 2016, the size of the postal market, including express services, amounted to a total of EUR 90 billion in the EEA and Switzerland which is an average annual increase of 2.4 % since 2013 (see Figure 10).

Figure 10 Size and development of the postal market (2013-2016)



Source: WIK-Consult based on WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW; Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW.

Note: Includes all EEA countries and CH.

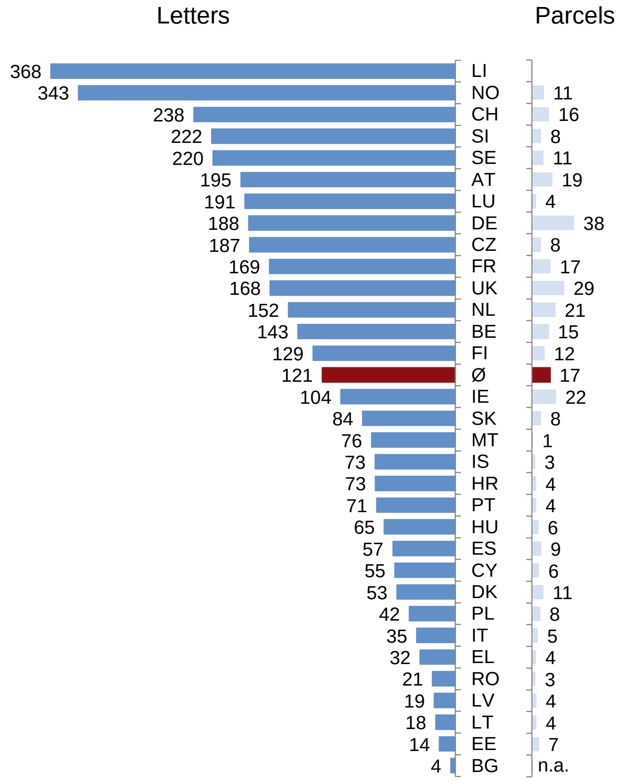
The sizes of postal markets vary across the countries (see Table 4). The four most populous countries in Europe, i.e. Germany, France, Italy and the UK, make up around two-thirds of total letter volume and more than 70 % of the parcel and express volume. To improve the comparison of small and big countries, Figure 11 provides average items per capita for each country.

Table 4 Letter volumes 2017

	Letter volumes (mio items)	Note
AT	1,710	
BE	1,625	
DE	15,500	
DK	305	
EL	346	2014
ES	2,637	
FI	712	
FR	11,288	
IE	543	2015
IT	2,125	
LU	116	2016
NL	2,590	
PT	737	
SE	2,202	
UK	11,085	
CY	47	
CZ	1,978	
EE	19	
HU	633	
LT	50	
LV	35	2016
MT	34	2016
PL	1,567	2016
SI	458	
SK	458	
BG	29	
HR	302	
RO	406	
CH	2,002	
IS	25	
LI	14	
NO	1,802	

Source: Annual reports of NRAs and USPs, UPU statistics

Figure 11 Size of the postal markets by country (items per capita, 2016/2017)



Notes: Letter items refer to 2017, parcel items to 2016

Source: WIK-Consult based on WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW; Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW; NRA and USP Annual Reports.

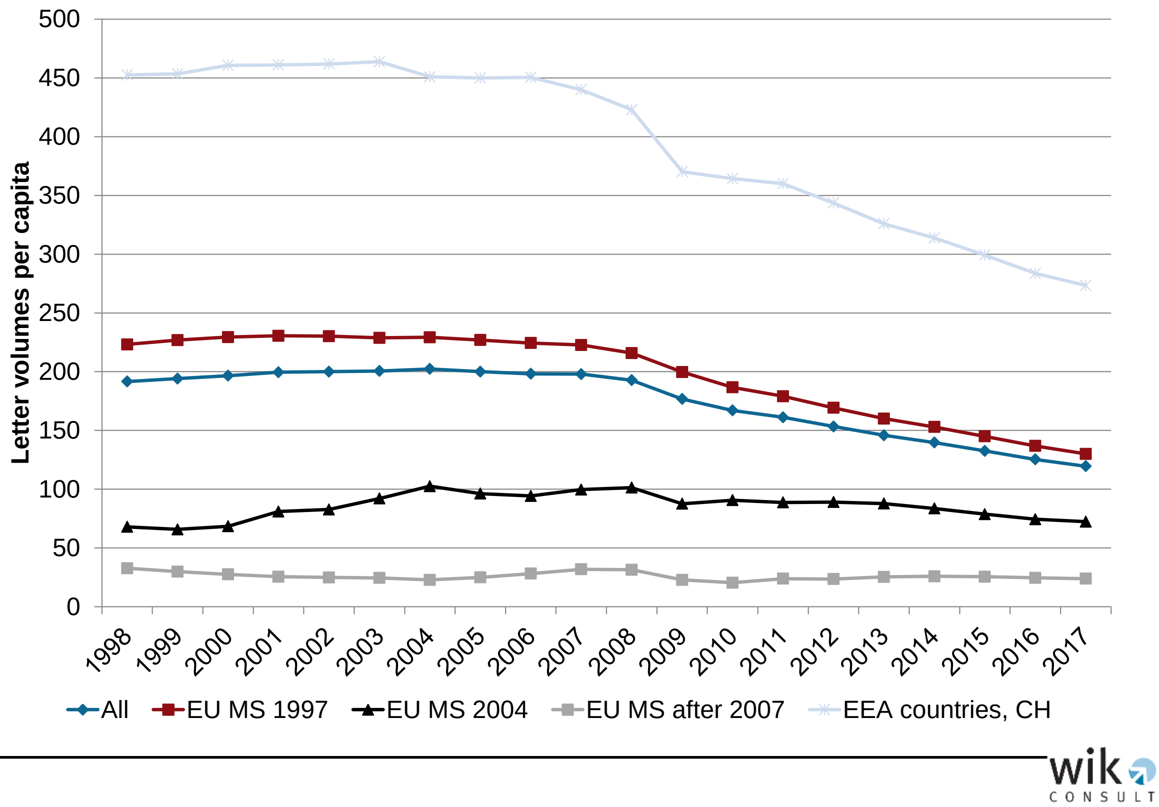
In 2017, the number of letters per capita ranges from only 4 in Bulgaria up to 222 items in Slovenia with an overall average of 121 items per capita within the EU. The three countries outside the EU (CH, LI, NO) have higher levels of items per capita. As mentioned above, parcel and express items only represent a small share of the overall volume and the number of parcels per capita is significantly lower. In 2016, 17 parcels per capita were delivered on average in the EU with a range of 1 parcel in Malta and up to 38 parcels in Germany.

Developments since 1998

The long-term development of postal markets since 1998 is generally similar for all countries in this study, albeit on different levels. On average, postal items per capita in the EU Member States were stable or increasing until 2008 when the global financial crisis accelerated substantial change (Figure 12). While electronic substitution existed even before the 2008 crisis, the crisis increased pressure on postal budgets of senders, incentivising them to switch to digital and less costly communication channels.

The group of non-EU members had seen slight declines even before 2008 but started from a much higher level, and thus had more to lose. Average volumes per capita in EU Member States that joined in 2004 strongly increased between 2002 and 2004, the date of EU entry.

Figure 12 Development of letter post items per capita by country group



Source: WIK calculations based on Eurostat, UPU statistics, annual reports of NRAs and USPs; WIK estimates

European postal markets have witnessed dramatic changes in recent years. Digitisation increasingly affects all areas of life including the way people and organisations use postal services which results in two major trends: Delivery of letter post items, the traditional core business of national postal operators, is losing importance while delivery of packages and parcels is growing dynamically. Physical letters and, to some degree, advertisements and catalogues are being replaced by digital solutions. By contrast, growth in package and parcel delivery services is fuelled by a rise in e-commerce. As letter items (still) represent the vast majority of all postal items, growing parcel volumes cannot compensate letter volume decline.

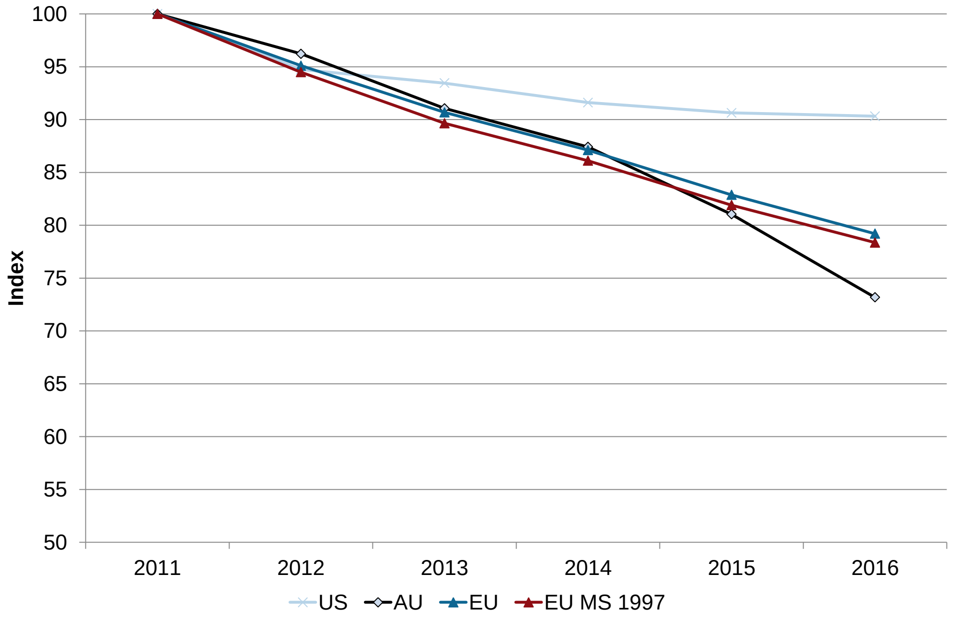
National letter markets had been very diverse even before 1997: not only was the degree of liberalisation and the regulatory situation different, the demand for postal services also varied to a large extent between Member States. These national differences are reflected in the level of letter volumes. On average, letters per capita in

1998 ranged between 33 in Bulgaria, Romania and Croatia (EU members that joined in 2007 or later) and more than ten times this volume per capita in the (non-EU) EEA countries and Switzerland (453 letters per capita). In Switzerland, mail volume has traditionally exceeded levels in other EU Member States due to the predominance of the financial services sector, a manifold newspaper and magazine landscape, and substantial volumes sent by government institutions due to regular referendums. The EU average was 150 letters per capita in 1998. EU postal markets and future developments are characterised by significant volume decline for most letter segments but further growth is expected for e-commerce shipments.

As of 2017, there are on average 130 letters per capita in the EU-15 Member States. Highest volumes per capita are realised in the additional EEA countries and Switzerland (on average 273 letters per capita in this group). The ten members that joined the EU in 2004 have on average 72 letters per capita, Member States that joined in 2007/2013 even lower (24). Average rates of decline have been highest in Denmark, Italy and Estonia where volumes declined by more than 5% in the last twenty years. In a few countries, letter volumes have grown since 1998, e.g. in Germany, Slovenia and Croatia. Overall and by trend, volume declines have diminished differences between the four country groups.

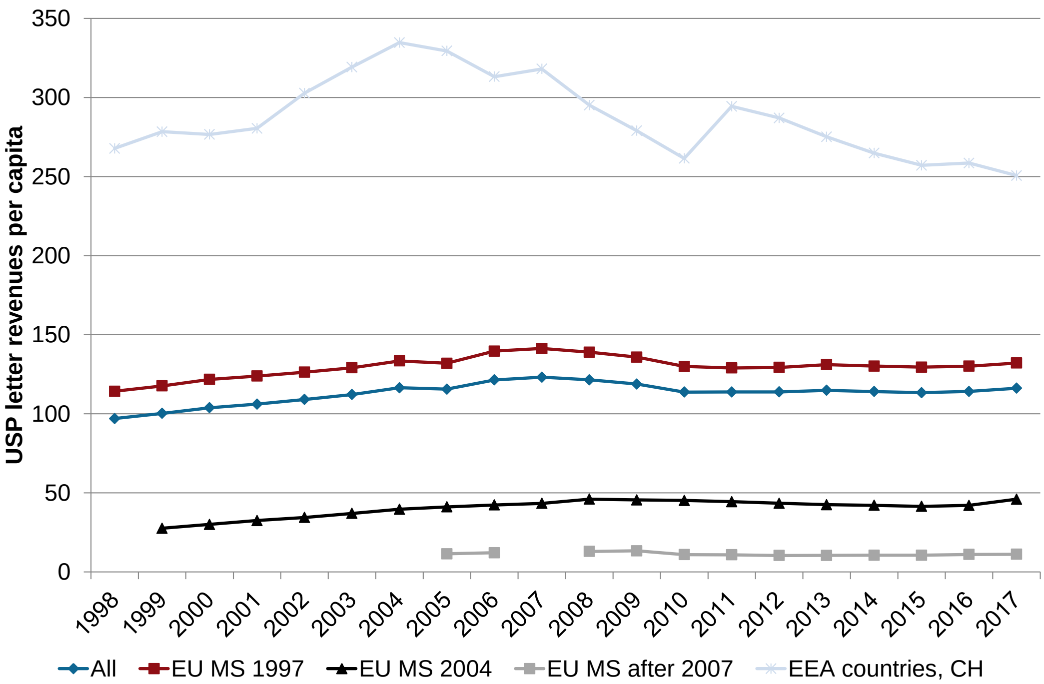
In comparison with countries outside the EU, the trend is similar but the extent of volume declines is varying. Australia Post has suffered from even larger volume losses than European Posts in the period 2011-2016 while losses in the U.S. have been lower (see Figure 13).

Figure 13 Volume developments within the EU-15, Australia and the USA



Source: WIK research, USPS Public cost and revenue analysis, Australia Post Annual Reports

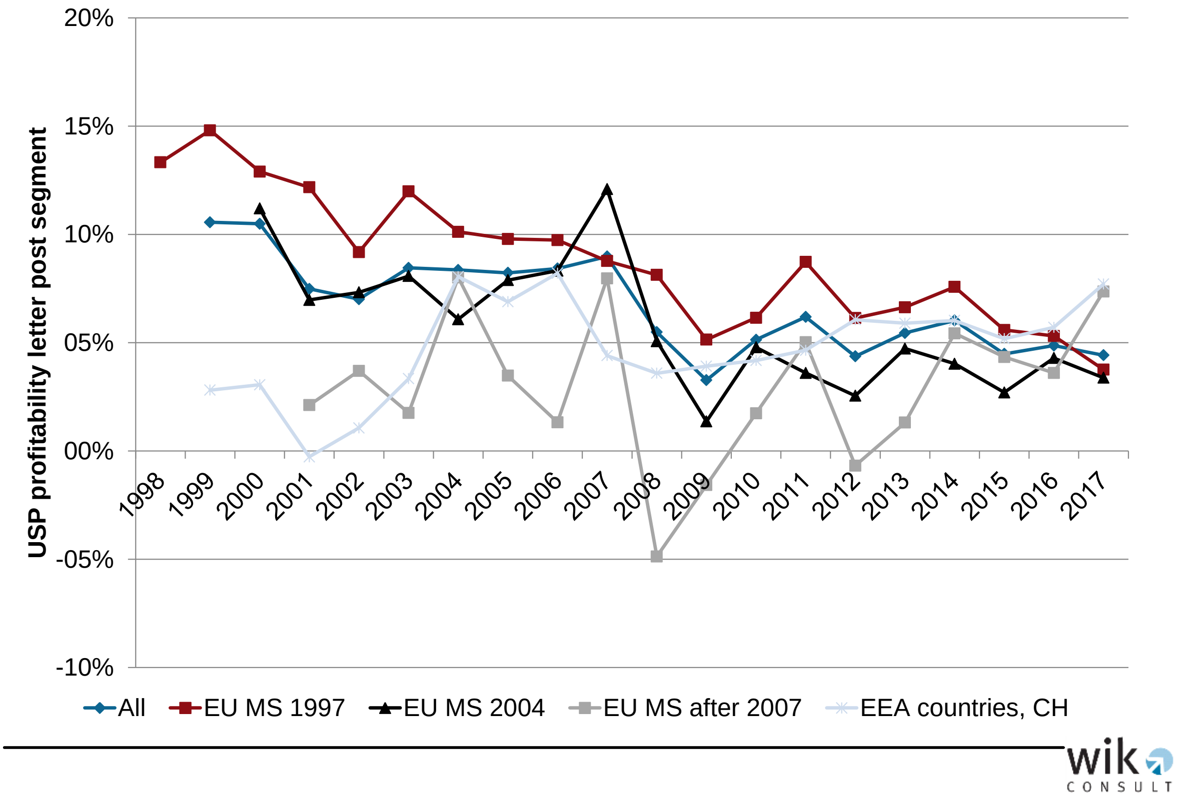
Figure 14 Development of USP revenues from letter services per capita, 1998-2017



Source: WIK research

The development of USP revenues from letter services between 1999 and 2007 indicates a positive market development throughout the EU-15 and the 2004 group until 2008, see Figure 14. In the 2004 group, a positive overall economic development also contributed to increasing revenues. In spite of volume declines, USPs in most Member States have managed to keep revenues quite stable after the financial crisis in 2008. This was achieved by growth in e.g. e-commerce services but also by increasing prices. It should be noted that these observations are based on averages of published USP letter service revenues, not on revenues within the scope of universal service.[16] For the three EU members that joined 2007 or later, data are hardly available before 2005, and only with a gap in 2007. It is thus difficult to compare revenue development before and after these countries implemented the Postal Service Directive.

Figure 15 Average USP profitability in mail operations, by country group



Note: Profitability is expressed as EBIT on revenues in the USPs postal segment

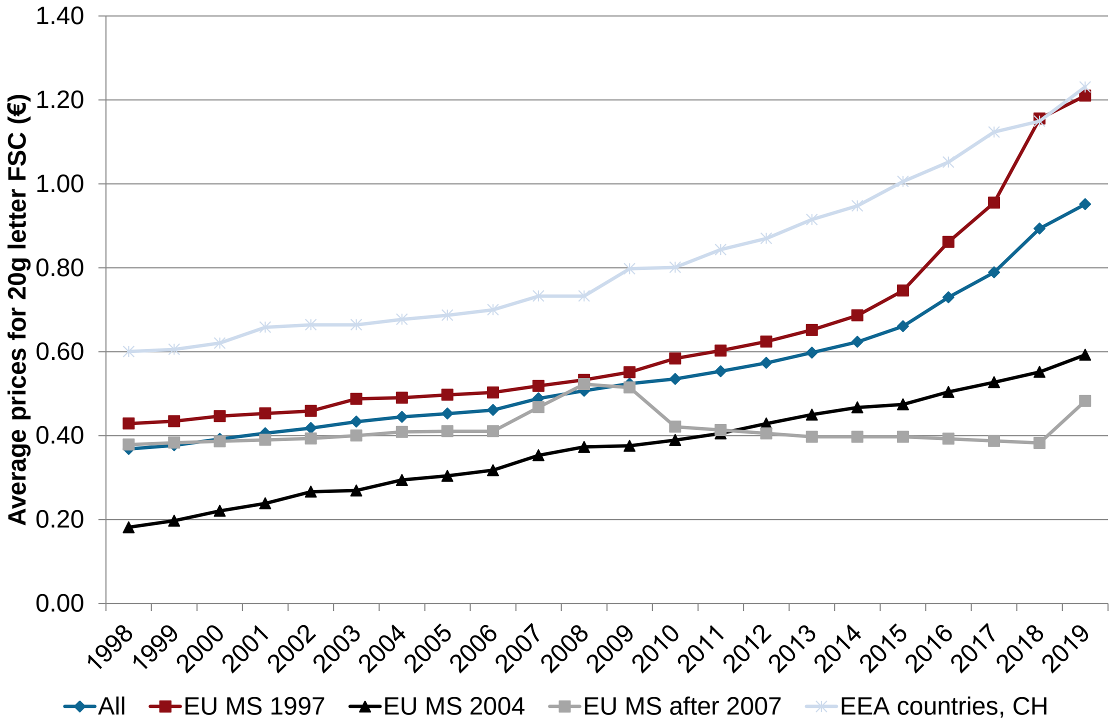
Source: WIK research, USP annual reports

The development of volumes corresponds to the development of profitability of USPs and quality of service (see Figure 15): the mail operations of USPs were profitable (with few exceptions for specific operators in specific years) throughout the period 1998-2017, but profit margin on average declined since 2008.

16 Revenues within the USO are available only in those few cases where NRAs publish these data. However, there are no long-term time series available.

Price developments

Figure 16 Average domestic public tariffs for 20 gram letters sent by fastest standard category, 1998-2019



Source: WIK research, based on USP price lists. Exchange rates for 2019 are used for all currency conversions.

Figure 16 provides an overview on the average public tariffs for a 20 gram letter sent by the fastest standard category in all countries covered in this study, as well as four different country groups. As the figure illustrates, average public tariffs for letters are increasing at higher rates in recent years. Postal operators respond to the continuing decline in letter volumes with different measures. In order to compensate for revenue declines, most postal operators increased the prices for their letter services. In 1998, the average prices in the additional EEA countries and CH were highest among the four groups, but prices in Member States of 1997 increased strongly after 2015 and are now on the same average level. The most notable price increases were introduced in Denmark and Italy. In both countries, prices for D+1 letters were significantly increased and second service class letters were defined as a new universal service product. Prices in many Eastern European Member States have developed more modestly and are among the lowest in the EU today. No data is available about the development of prices for bulk mail, or average revenue per unit.

Summary and conclusions

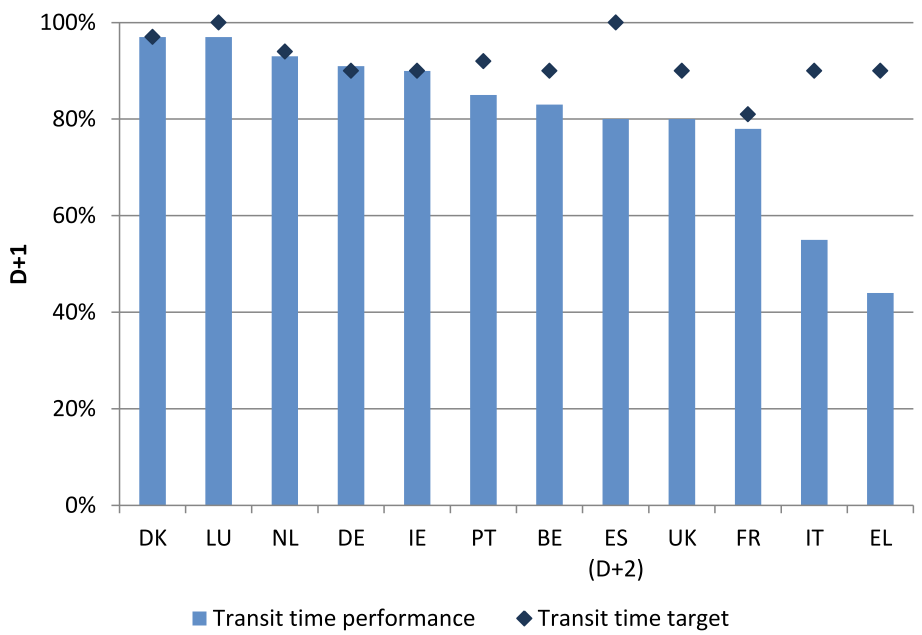
European letter and parcels markets develop very differently. Letter markets are characterised by substantial volume declines while parcel markets are growing. Countries with strong e-government initiatives have lost more letters per capita than those countries where digitisation is relatively lower. In spite of declines, most USPs have managed to keep revenues relatively stable and remain profitable. Increases in letter prices and growth in parcel revenues have contributed to this development.

2.1.2 Quality of service

Before the Postal Services Directive was introduced, postal operations were mainly manual processes with a low level of mechanical, not to mention automated, sorting. The apparent lack of efficient operations translated into loss-making mail activities of postal operators in the 1990s. At that time, postal operators were organized as State administrations rather than commercially oriented companies. According to the EC Green Paper, ten out of twelve postal administrations had loss-making mail services in 1988.[17] Information on transit time targets and performance is hardly available for the period before the Postal Services Directive was introduced but it becomes nevertheless clear that quality of service provided by postal administrations was poor before 1997.

17 The only profitable mail services were offered by postal administrations in NL and UK. See EC (1992), Green Paper on the Development of the Single Market for Postal Services, p. 115.

Figure 17 National transit time targets and performance of postal administrations in 1988/89



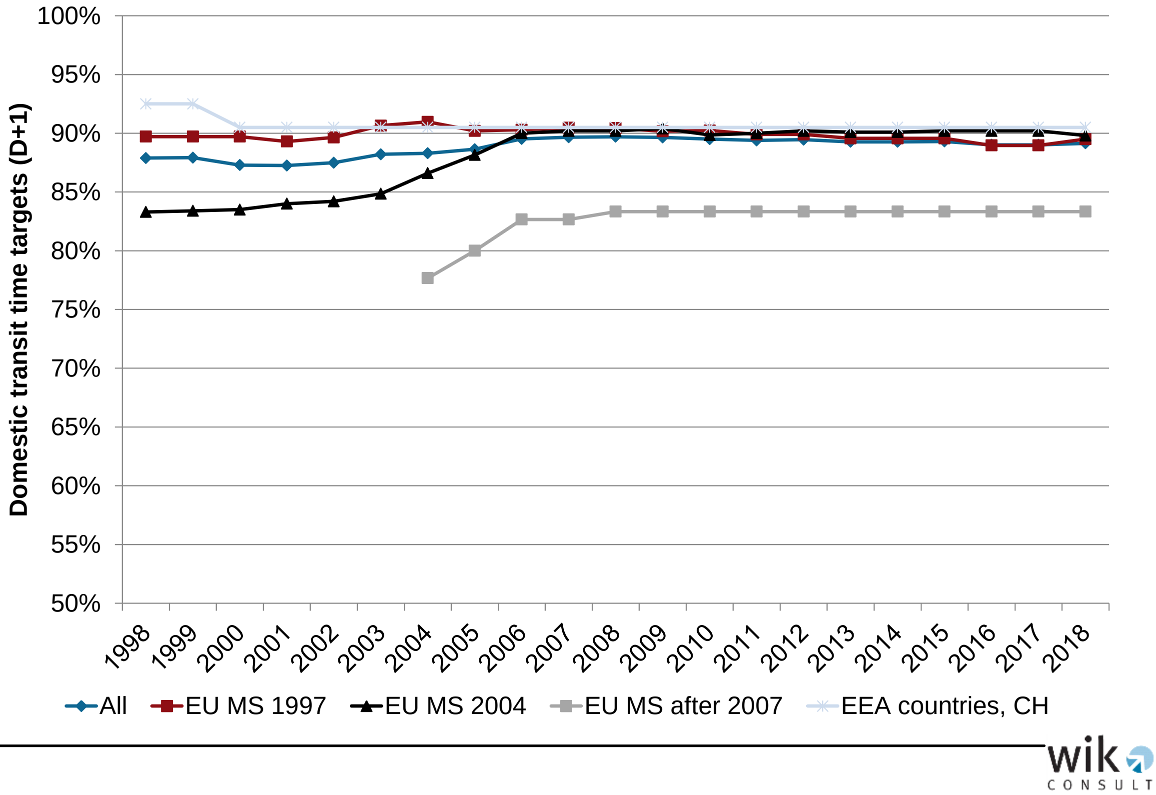
Source: EC (1992), Green Paper on the Development of the Single Market for Postal Services, p. 87.

Out of the twelve Member States at that time, USPs in only a few countries performed in line with their targets (see Figure 17).[18] In two Member States (ES and LU), targets were set at 100%. As many problems may occur which are outside the reach of postal operators, e.g. outdated addresses and illegible writing, it seems unrealistic and overly ambitious that each of them could ever be delivered within D+1 (or D+2 in the case of Spain). After 1998 until today, none of the countries applies a 100% target. In at least six Member States national transit time performance showed room for improvements.[19]

Performance targets started at quite different levels in 1998, but has drawn nearer together. Figure 18 provides an overview on how, on average, targets for domestic priority letter services (fastest standard category, FSC) developed within the EEA countries and Switzerland since 1998. Since 2006, average targets are on a similar level except for those member States that joined the EU latest (Bulgaria, Croatia, Romania) Targets in the ten Member States that joined in 2004 were increased in preparation of the EU membership and quickly upgraded to the level of EU-15 members.

18 See EC (1992), Green Paper on the Development of the Single Market for Postal Services, p. 87.
19 It should be noted that there was no common standard for performance measurement before the Postal Service Directive was established, so the results might not be fully comparable with each other.

Figure 18 Domestic transit time targets (FSC) 1998-2018



Source: ERGP core indicators, annual reports of national regulators, WIK research.

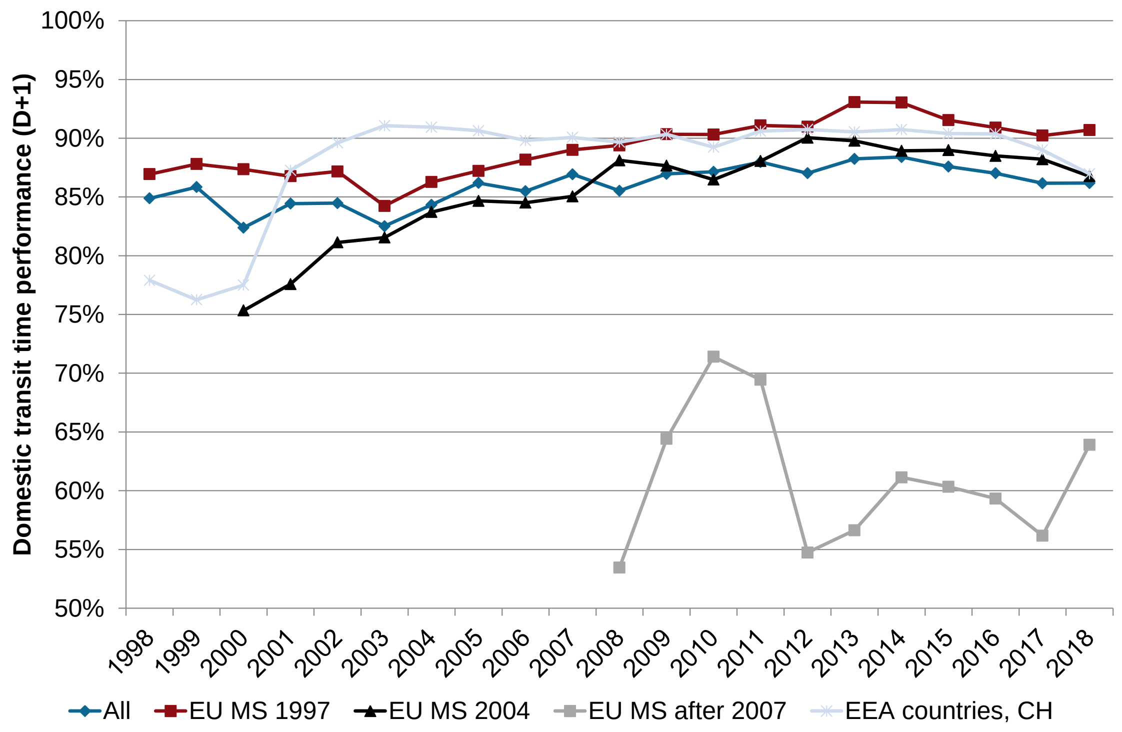
Comparing transit time targets applied before the Postal Services Directive was established with present targets, there is no general trend for the twelve Member States for which 1988/1989 data is available (see Table 5). For these mostly well-developed postal markets, quality of service was already at a high level, and some of these countries lowered their targets after they transposed the Postal Services Directive. Spain and Luxembourg had adapted their 100%-targets to more realistic levels. Half of the 12 countries increased their transit time targets (Belgium, France, Ireland, the Netherlands, Portugal and UK) after the Postal Services Directive was established. With the exception of Portugal, transit time performance improved after target increases in these countries.

Table 5 Pre- and post-Postal Services Directive targets (D+1)

	Target 1988/1989	Target 2008	Target 2018
BE	90%	95%	93%
DK	97%	93%	95% (D+5)
DE	90%	80%	80%
EL	90%	87%	87%
ES	100% (D+2)	93% (D+3, 2009)	93% (D+3)
FR	81%	83%	85%
IE	90%	94%	94%
IT	90%	89%	80%
LU	100%	95%	85% (D+2)
NL	94%	95%	95%
PT	92%	94.5%	94.5%
UK	90%	93%	93%

Source: EC Green Paper, ERGP reports, WIK research

Figure 19 Domestic transit time performance (FSC) 1998-2018



Source: ERGP core indicators, annual reports of national regulators, WIK research

Domestic transit time performance varied considerably. On average, quality performance was highest in EU-15 group, although there was a period when average quality levels in EEA countries and Switzerland were even higher (2002-2008). Significant improvements can be observed in the Member States that joined in 2004, while performance is a lot more erratic in the Member States that joined 2007/2013 and on a much lower level.[20] During the last few years, the transit time performance decreased in most of the countries. Since 2013, the number of USPs that achieved their targets in the fastest standard category diminishes constantly (see Table 6). Reductions in the delivery frequency also played a role in lower transit time performance since the financial crisis. An overview on frequency of delivery in the Member States can be found in section 5.4.1.1.

Table 6 Number of USPs that achieved domestic transit time targets (FSC)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
All	8	9	11	14	15	16	18	21	17	18	20	19	19	20	21	25	23	20	16	17	16
EU MS 1997	6	7	6	7	6	6	9	11	10	10	11	11	10	12	11	14	12	9	7	9	8
EU MS 2004	2	2	4	5	5	5	4	5	5	4	5	5	6	4	7	7	7	7	5	5	6
EU MS after 2007	na	na	na	na	na	na	na	2	0	1	1	1	1	1	0	1	1	1	1	1	1
LI, IS, NO, CH	na	na	na	2	3	3	3	3	2	3	3	2	2	3	3	3	3	3	3	2	1

Source: ERGP core indicators, annual reports of national regulators, WIK research

Table 7 Cross-border mail delivered within D+3 (%) in 1997

	AT	BE	CH	DE	DK	EL	ES	FI	FR	IE	IS	IT	LU	NL	NO	PT	SE	UK
AT	-	92.8	95.2	93.7	92.7	41.1	59.0	77.9	87.9	54.4	65.6	26.7	83.9	93.5	82.1	77.8	89.7	90.8
BE	90.3	-	94.2	92.2	93.2	43.1	81.5	91.0	91.3	85.0	86.7	38.6	97.5	96.0	88.7	89.4	93.9	93.1
CH	94.5	95.2	-	96.3	96.7	56.4	86.7	95.6	93.6	86.0	93.1	31.2	97.5	95.9	96.1	92.2	97.2	96.2
DE	88.4	91.9	94.4	-	91.3	45.2	75.9	85.1	89.8	77.2	64.6	31.7	92.4	93.0	86.6	82.7	87.5	86.8
DK	93.1	94.4	97.7	93.9	-	52.1	78.7	96.4	91.4	83.8	93.3	30.8	98.0	96.2	96.9	81.1	98.3	95.3
EL	56.9	64.0	62.4	59.5	58.1	-	34.8	40.2	59.3	33.3	33.3	16.2	55.9	61.6	50.1	43.8	49.4	63.8
ES	70.7	89.6	89.0	79.1	87.6	35.6	-	75.8	83.3	64.2	38.3	19.2	77.7	88.7	78.0	85.1	83.4	75.7
FI	82.1	90.8	94.9	84.1	96.1	44.3	84.3	-	82.0	65.0	76.0	13.1	89.9	91.7	94.2	62.5	96.9	90.8
FR	87.5	95.9	95.0	93.7	93.8	44.3	94.3	86.9	-	82.8	69.4	46.7	95.2	95.3	93.6	88.9	93.8	93.6
IE	59.2	89.1	83.9	79.4	87.1	26.3	58.1	68.7	84.7	-	46.8	15.7	80.9	90.4	71.2	55.3	78.6	90.3
IS	75.2	80.0	82.7	75.5	97.6	23.8	32.8	83.9	68.3	44.4	-	12.4	97.1	86.3	95.3	38.6	96.3	90.8

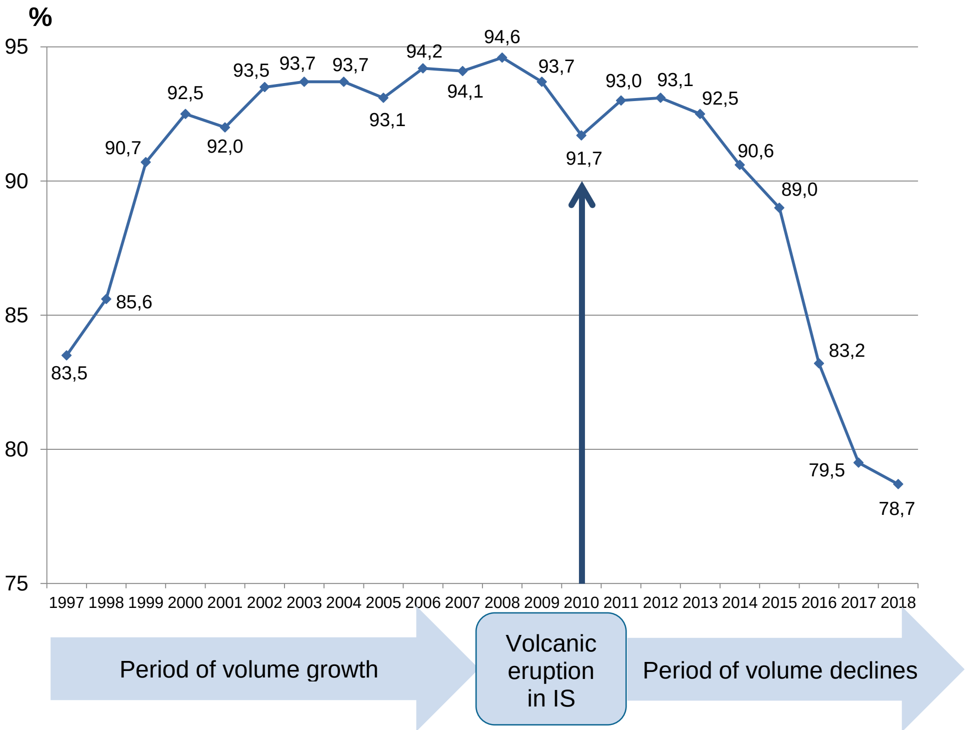
20 The improvement in 2018 is due to the increase in transit time performance in Romania that went up from 30% D+1 to 57%. See ERGP (2019), Report on quality of service, consumer protection and complaint handling.

	AT	BE	CH	DE	DK	EL	ES	FI	FR	IE	IS	IT	LU	NL	NO	PT	SE	UK
IT	77.9	75.3	75.6	68.6	76.3	37.6	59.1	58.4	70.9	46.7	44.3	-	69.5	78.7	69.3	65.1	69.6	72.0
LU	87.2	97.8	93.2	95.9	88.2	39.1	71.2	77.3	94.7	68.6	89.5	16.8	-	96.5	88.5	83.7	89.2	89.3
NL	93.0	95.9	93.6	93.6	96.1	57.3	84.0	93.6	91.8	87.9	78.7	42.7	95.1	-	95.1	88.8	96.2	92.1
NO	90.5	93.9	95.8	84.6	96.1	38.7	72.2	94.8	91.6	74.3	90.8	20.1	88.3	94.7	-	73.7	97.6	92.7
PT	71.4	82.2	85.2	69.5	77.2	29.4	68.4	55.7	78.9	40.2	37.1	12.4	66.5	78.9	65.0	-	78.2	78.2
SE	91.1	95.3	95.7	87.8	97.2	47.2	80.2	96.6	91.8	79.4	91.7	29.0	94.3	95.5	96.2	77.6	-	94.7
UK	86.8	91.5	92.0	83.2	92.8	46.6	75.8	89.8	89.0	87.1	85.4	31.1	91.3	90.9	92.0	83.9	91.4	-

Source: IPC, UNEX Year results 1997 [colours added]

Quality of cross-border delivery was low in the 1990s, although it improved towards the end of the decade. Table 7 highlights those destination countries where D+3 delivery was below 60 per cent of international mail items with red shading, and those with less than 80 per cent with orange shading.

Figure 20 D+3 performance development 1997-2018 for international mail



Source: based on Main Developments 2013-2016; IPC, UNEX CEN module 2018 results

After the Postal Services Directive was introduced, quality of service for cross-border mail boosted until it reached a peak in 2008 with nearly 95 per cent of all intra-Community cross-border items delivered on the third day after posting (see figure). In

2013, 92.5 per cent of cross-border items were delivered within three working days but only 82.3 per cent in 2016 and 78.7 per cent in 2018.[21] This is not only the lowest performance since the start of measurement in 1997 but also below the target of 85 per cent specified by the Postal Services Directive. One possible explanation of the decline in (domestic and cross-border) quality of service is the adjustment of domestic delivery operations due to volume decline. In light of letter volume decline, several Member States adjusted their universal service obligations to ensure financial sustainability by reducing the frequency of domestic delivery. For example, the number of delivery days was reduced from six to five days per week in the Netherlands and in Denmark.

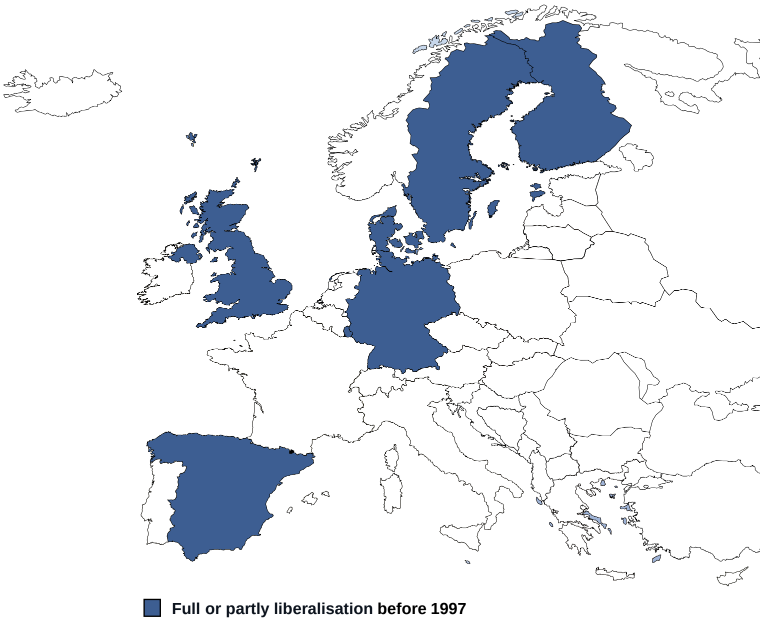
2.1.3 Competition and market opening

Before the Postal Services Directive was introduced in 1997, postal markets were not liberalised with few exceptions (Figure 21). In the Nordics, liberalisation of the letter mail market took place earlier than in most other Member States. Outbound cross-border mail was liberalised, or had never been part of the reserved area, in three Scandinavian countries (DK, FI, SE).[22] Sweden and Finland completely opened their market in 1993 (SE) and 1994 (FI). There are only a few more European countries where letter markets had been opened to competition before the Postal Services Directive was introduced: DE, ES, and UK.

In Germany, direct mail had been liberalised already before 1997. The weight limit for direct mail was reduced to 250g in 1995 and 100g in 1996. In Spain, intra-community mail was already liberalised, and direct mail had never been part of the reserved area. UK lowered the price limit for the reserved area to £1 in 1981.

21 IPC (2018), International Mail Quality of Service Monitoring – UNEX CEN 2017 results.
22 See PWC (1998), Study on the impacts of liberalisation in the postal sector: Liberalisation of incoming and outgoing intra-Community cross-border mail, p. 16.

Figure 21 Letter market liberalisation before 1997



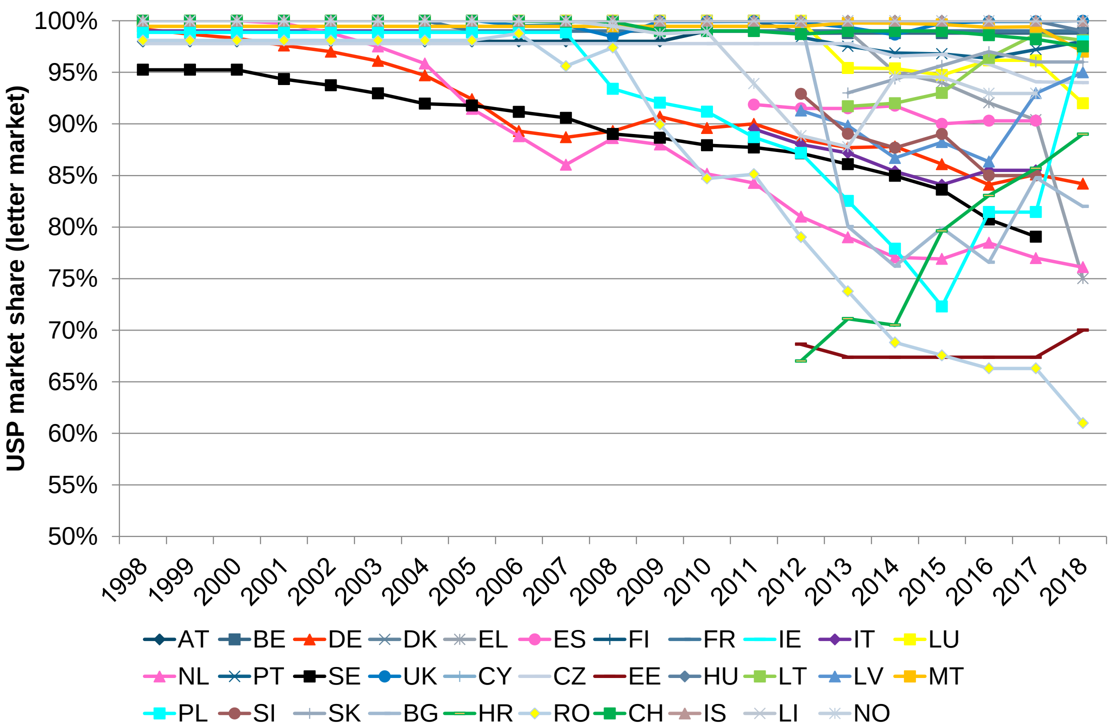
Source: WIK-Consult.

The competitive situation was notably different in those countries that had abolished or reduced the reserved area before the Postal Services Directive was introduced. Competition was virtually non-existent in FI and the UK, and only very few competitors distributed direct mail in DE, achieving not more than 1 per cent of direct mail volumes[23]. In Sweden, several competitors entered the market which delivered bulk mail within large Swedish cities. Among them, CityMail was the largest operator with a market share of about 1.5 per cent in 1996 according to mail volume statistics by PTS. Competitive market shares increased slightly:[24] in Sweden to almost 5% and 2% in the Netherlands by 1998. For Spain, the earliest published data on market shares date back to 2003 with a relatively high competitive market share of 10%. In the UK, the USP still held 99.7% of the letter market.

23 See WIK-Consult (2004), Main Developments in the European Postal Sector, p. 94; Bundesamt für Post und Telekommunikation (1996), Zweite Marktuntersuchung zur Infopostlizenzierung.

24 See WIK-Consult (2004), Main Developments in the European Postal Sector, p. 94.

Figure 22 Development of USP market shares in letter markets since 1998



Note: USP market shares include WIK estimates. Market shares for 2018 are not available for all 32 USPs and may refer to different volume/revenue basis.

Source: WIK research, ERGP core indicators (for 2018)

Table 8 Market shares of USPs

	1998	2005	2012	2018	Sources
AT	98%	98%	99%	99%	WIK estimate
BE	100%	100%	99%	99%	WIK estimate
DE	99%	92%	89%	84%	BNetzA, Marktbeobachtung, BNetzA Jahreberichte
DK	99%	99%	99%	99%	WIK estimate
EL	99%	99%	99%	75%	EETT, Market Review / 2018 ERGP
ES			92%		CNSP, Market report
FI	100%	100%	100%	100%	FICORA, Postal Statistics. 2018: ERGP
FR	100%	99%	99%	99%	WIK estimate
IE	100%	100%	100%	100%	ERGP
IT	99%		88%		WIK estimate based on AGCOM, Relazione annuale and Poste Italiane Investor Presentations, 1998 based on Ecorys (2005)
LU	100%	100%	100%	92%	calculated based on DG GROW Postal statistics. 2018: ERGP
NL	100%	91%	81%	76%	calculated based on PostNL AR and Market Studies by the ACM
PT			98%	98%	calculated based on DG GROW - Postal statistics. 2018: ERGP
SE	95%	92%	87%		calculated based on PTS, Svensk postmarknad
UK	100%	100%	100%	100%	calculated based on Ofcom, Market Reports, Royal Mail, Regulatory Accounts & DG GROW - Postal Statistics. 2018: ERGP
CY	100%	100%	100%	100%	ERGP
CZ	98%	98%	98%	94%	calculated based on DG GROW Postal statistics
EE			69%	70%	calculated based on DG GROW Postal statistics. 2018: ERGP
HU	100%	100%	100%	99%	calculated based on DG GROW Postal statistics. 2018: ERGP
LT				98%	USP reports
LV			91%	95%	calculated based on DG GROW Postal statistics. 2018: ERGP
MT	99%	99%	99%	97%	calculated based on DG GROW - Postal statistics. 2018: ERGP
PL	99%	99%	87%	98%	calculated based on UKE, Reports on the state of the postal market. 2018: ERGP
SI			93%		calculated based on DG GROW Postal Statistics
SK				96%	ERGP
BG	100%	100%	100%	82%	2018: ERGP,; 2012: calculated based on DG GROW Postal Statistics; WIK estimate
HR			67%	89%	calculated based on DG GROW Postal statistics. 2018: ERGP
RO	98%	98%	79%	61%	calculated based on NRA, Postal Statistics, 2018: ERGP
CH	100%	100%	99%	98%	PostCom, Annual Reports
IS	100%	100%	100%	100%	ERGP
LI	100%	100%	100%	100%	WIK estimate
NO	100%	100%	89%		WIK estimate based on Post Norge reports

The majority of Member States has not seen the development of substantial competition until today. As market shares provided in Figure 22 illustrate, market shares of USPs in the vast majority of the Member States have remained at very high levels. In 2018, 17 out of 32 USPs had market shares above 95%, only 4 out of 32 USPs had market shares below 80%. The incumbent postal operators have thus been able to defend their market-dominant positions. However, information on market shares of USPs and competitors in national letter markets is often not available, since not all regulators publish such data. USPs are generally reluctant to provide data on their market shares as this type of information may negatively affect their stock prices and investors' willingness to provide financial resources. As a consequence, time series data are available for many but not all USPs.

Although there are a large numbers of competing postal operators active in European letter markets, they are mostly very small and operate on a local level. There are a few countries where their numbers amounts to several hundred although market shares of the USPs are high, such as Belgium (700), Germany (600), Greece (>500), or Italy (>3000).[25] ERGP analysis on the level of concentration in the market shows very high concentration rates. The Herfindahl-Hirschman-Index is above 7000 in terms of volume on average for all countries analysed by ERGP, and above 4000 in terms of revenues (based on 2018 data).[26] The index can take values up to 10,000, values above 2,000 indicate a strong market concentration. Country-specific values are also very high, with lowest values in Romania (3300), Greece (4500) and Estonia (4700) in terms of volume. Highest values for the index can be found in France (9700), Malta (9000) and Belgium (8700).

End-to-end competition has developed mainly in those Member States that opened their markets earlier than others: DE, ES, NL, and SE. In several Eastern European Member States, there is competition from courier services that deliver letters, e.g. in BG, HR, SK, PL, RO. Access competition, i.e. competition from operators that collect postal items from senders and hand it over to the USP for delivery may exist as the only form of competition or in addition to end-to-end-competition. Examples for countries with access competition only are France, Slovenia, and the UK.[27] In the Netherlands, Spain and Germany, and also to some extent in Belgium, there is access competition in addition to end-to-end.

Competition is also affected by volume declines. As a result of the shrinking market, operators are shifting their focus to other segments. While the universal service providers try to diversify their business activities, other operators exit the market. In Poland, for example, there are several major competitors active in the letter segment.

25 See ERGP (2019), ERGP report on core indicators for monitoring the European postal market, p. 33.
26 See ibid, p. 34.
27 See e.g. WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013) and Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016). In UK, the only end-to-end competitor Whistl stopped its delivery activities in 2015. Today, Whistl is active in access services.

In 2015, Polish Post's biggest competitor InPost acquired Polska Grupa Pocztowa (PGP), the second-largest competitor, and reached an agreement with Polish Post that Polish Post delivers InPost's letters in rural areas. In 2016, however, InPost announced plans to resign their letter business and limited their activity to the delivery of registered e-commerce letters (small packets).[28] In February 2019, PostNL announced the acquisition of the largest competitor Sandd which had a revenue share of 10-15 per cent in the business segment in 2016. Although the acquisition will yield a re-monopolization of the letter market in the Netherlands, it had strong political support as the acquisition was seen as an option to safeguard the universal postal service. At first, the Dutch competition and regulation authority, ACM, blocked the deal on the grounds that it would re-establish a mail monopoly in the Netherlands but the Ministry of Economic Affairs and Climate Policy overturned the regulatory veto on the acquisition.[29] In some of the countries, there is limited end-to-end competition in the letter segment and competitors even gain market share. However, even in these countries the incumbent's market shares still remain well above 80 per cent and competition remains limited as the incumbents maintain dominant positions.

Independent regulators

Seven Member States had created postal regulatory authorities before the Postal Services Directive was introduced (including NL which established its NRA in 1997). All ten countries that joined the EU in 2004 had established postal regulators before; among them, only Hungary created an NRA before the Postal Services Directive was introduced.

28 Parkiet (2015), InPost przejmuje PGP, published 2.1.2015, https://www.parkiet.com/Spolki/301029983-InPost-przejmuje-PGP.html; Post&Parcel (2015), Polish Post grants rivals InPost access to rural mailboxes, published 29.4.2015, https://postandparcel.info/64752/news/polish-post-grants-rivals-inpost-access-to-rural-mailboxes/; InPost (2016), Integer.pl Group results inQ2 2016, p. 12.

29 See CEP-Research, 1 October 2019, PostNL wins government approval for EUR130 million Sandd acquisition; PostNL (2019), PostNL and Sandd to form one strong national postal network for the Netherlands, published 25 February 2019, https://www.postnl.nl/en/about-postnl/press-news/press-releases/2019/postnl-and-sandd-to-form-one-strong-national-postal-network-for-the-netherlands.html.

Table 9 Start of postal regulation in EU Member States

Date of EU entry	Member State	Start of postal regulation
1995 or before	AT	1999
	BE	1991
	DE	1998
	DK	1995
	EL	1998
	ES	1998
	FI	1994
	FR	2005
	IE	2002
	IT	2010
	LU	2000
	NL	1997
	PT	1981
	SE	1994
	UK	2000
2004	CY	2002
	CZ	2000
	EE	2002
	HU	1990
	LT	2002
	LV	2001
	MT	2003
	PL	2002
	SI	2002
	SK	2002
2007/2013	BG	2002
	RO	2002
	HR	2004

Source: based on WIK-Consult (2004), Main Developments in the European Postal Sector

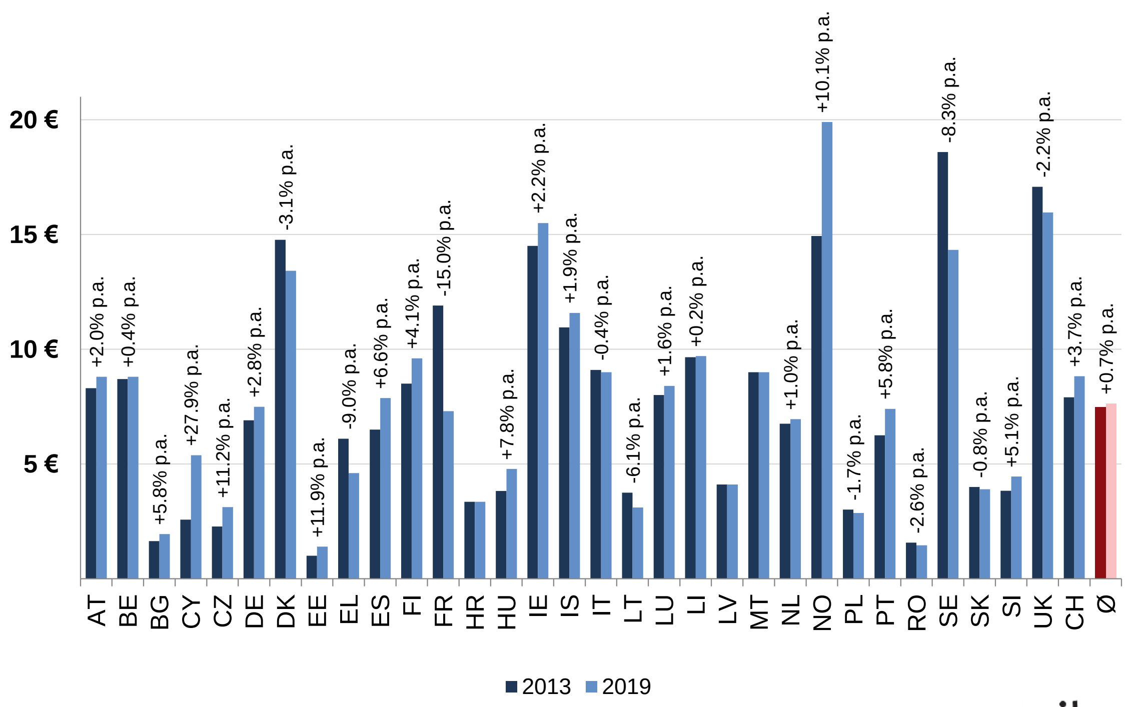
The EC noted in its Green Paper in 1992 that the '*universal service is defined differently in different Member States with the effect that customers cannot confidently post similar items in different Member States*'.[30] Furthermore, technical standards are not harmonised. This includes a wide scope of issues, of which the most relevant was the lack of a standard methodology to measure transit time performance that would make quality measurement results comparable between Member States.

30 See EC (1992), Green Paper on the Development of the Single Market for Postal Services, p. 2.

2.2 Trends in e-commerce delivery

The steady growth of European e-commerce and parcel markets has triggered developments which differ fundamentally from those in letter markets. This section provides an overview of the most important recent trends in e-commerce and parcel delivery.

Figure 23 Development of public tariffs for domestic parcels (5kg)



Source: WIK-Consult based on Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW, EU database on public tariffs on domestic and cross-border parcel delivery services and operators' public price lists.

Note: Universal service providers' prices for domestic single-piece parcels up to 5 kg (counter price). For BE, CZ, DK, EE, ES, FL, HR, HU, SK, IS most recent data from 2016.

Universal service providers' parcel prices remained rather stable in the recent past (see Figure 23). The average price[31] for domestic parcels slightly increased from 7.48 EUR in 2013 to 7.63 EUR in 2019 but USPs in several countries lowered parcel prices in nominal terms (Denmark, Greece, France, Lithuania, Romania, Poland, Slovakia, UK). In recent years, many postal operators introduced new tariffs and consolidated their product portfolios to simplify their pricing schemes. Carriers in many countries enhanced quality of parcel services (e.g. by including tracking, lower routing times).

31 Pricing schemes for parcels differ significantly between countries and can be complex. In some cases, parcel pricing schemes depend not only on size and weight but also on origin and destination (particularly for cross-border parcels).

Operators reduced the number of weight steps and introduced new light-weighted packet and parcel products at a lower price.

However, Figure 23 does not provide a full picture: on the one hand, the figure only refers to the universal service provider's price and competitors (particularly courier, express, and parcel operators) provide domestic parcel service at similar or lower prices in many countries. On the other hand, postal operators introduced specific products in letter format for e-commerce goods up to 2 kg as a low-cost alternative to similar-sized parcel products. For example, PostNL introduced its small packet service 'brievenbuspakje' (letterbox parcel) in 2012, which is processed and delivered in the letter network. In 2016, PostNL introduced tracking of these items to improve visibility for online sellers and buyers.[32] La Poste introduced a tracked letter post product ('lettre suivie') and PostNord a similar product ('VaruBrev') for merchandise up to 2 kg which is offered at two different routing times. Austrian Post introduced a letter product 'Päckchen' in 2017 which includes track and trace and insurance up to EUR 50.[33] Moreover, the prices in Figure 23 represent consumer prices paid at the counter. Many universal service providers offer online discounts as well as volume discounts for pre-paid parcel labels to private customers. There are indications that many carriers have reduced their prices and lowered their volume thresholds for business accounts which allow even micro and small e-retailers to gain access to lower shipping rates.[34]

The more than expected growth in B2C e-commerce has driven many new parcel and add-on services. Many established parcel and express carriers as well as the universal service providers have invested in B2C e-commerce solutions and adjusted their services to the requirements of e-retailers and recipients. In particular, the carriers improved their quality of service by investing heavily in the modernization of existing and construction of new sorting and delivery facilities as well as in cost-efficient last-mile delivery solutions and consumer-oriented delivery options.

Many carriers implemented smart and flexible delivery solutions to make their services more flexible and recipient-friendly:

- New services not only provide recipients a (SMS or e-mail) notification on the day of delivery but also provide recipients with the opportunity to reschedule the delivery to another day or address. Moreover, some carriers provide services that provide recipients with detailed information on the estimated delivery time and allow them to live track their item during the delivery process with an option

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32 See WIK-Consult (2016), Future scenario developments in the Dutch postal market, p. 22 and p. 36; PostNL, https://www.postnl.nl/versturen/brief-of-kaart-versturen/verzendopties/brievenbuspakje/.

33 See La Poste, https://www.laposte.fr/particulier/courriers-colis/produits-et-services/lettre-suivie; PostNord, http://pages.postnord.com/varubrev; Austrian Post, Price List 2017.

34 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW; Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW, Chapter 3.3.2.

for ad-hoc pick-up of the item from the delivery vehicle, or even to choose specified delivery windows via mobile apps or web portals.[35]

- In contrast to the letter segment, many universal service providers and parcel operators expanded their delivery days and delivery time windows. Some operators, for example, GLS and DHL in Germany, DPD in Austria, Posti in Finland, or Poste Italiane in Italy, extended their delivery time slots to the evening. Some carriers, for example, Royal Mail, PostNL or La Poste (via its subsidiary Chronopost), even introduced Sunday deliveries.[36]
- Many universal service providers, particularly in the Western EU Member States, have successfully improved their parcel delivery services and provide regular next-day delivery services and tracking and tracing for B2C parcels (for example Deutsche Post, PostNL, the Nordic postal operators, Austrian Post, or Belgian bpost). Additionally, same-day delivery increasingly becomes a mainstream option, mainly in urban areas and larger cities in countries with more developed e-commerce markets.[37]

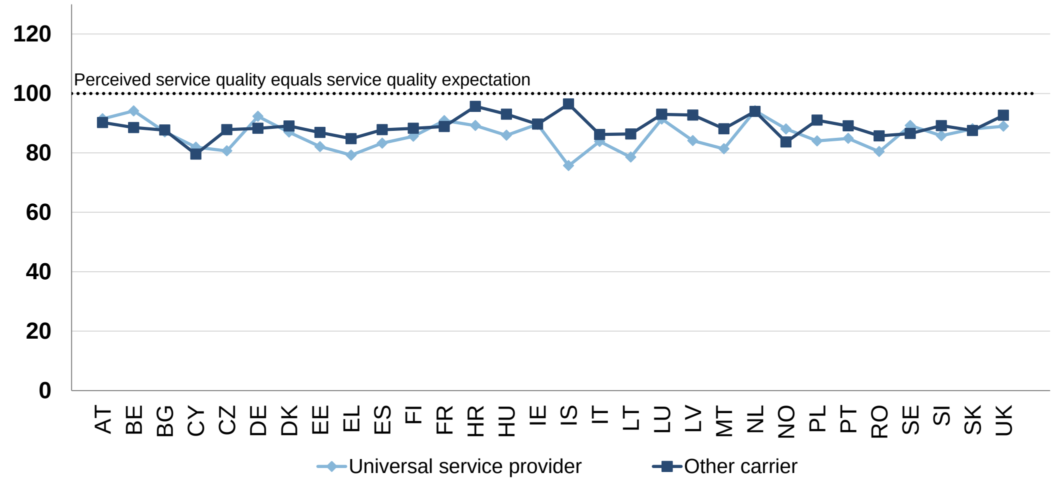
In summary, the quality of service of B2C parcel delivery is often far beyond the minimum requirements of the Postal Services Directive and the national universal service requirements, for example for the minimum delivery days per week.

35 See for example
DPD website, https://www.dpd.com/de_en/versandmoeglichkeiten/unsere_zusatzleistungen/predict;
GLS website, https://gls-group.eu/DE/en/services-overview/flexdelivery-service;
UPS website, https://www.ups.com/mobile/deliveryplanner.

36 See CEP Research, DHL Parcel Germany starts evening deliveries in Berlin for online retailers, published on 18.9.2013; CEP Research, GLS Germany expands evening and Saturday deliveries to two more cities, published on 12.8.2014; CEP Research, Posti to deliver later in the day, published on 20.4.2016; CEP research, Poste Italiane drives e-commerce strategy with Amazon deal, published on 14.6.2018; CEP Research, Royal Mail Group launches Sunday parcel services, published on 21.5.2014; CEP Research, PostNL expands Benelux parcel services with parcel shops, Sunday deliveries, published on 31.7.2014; CEP Research, Chronopost launches Sunday deliveries across France, published on 15.9.2017.

37 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW, Chapter 3.4.

Figure 24 Service quality score indices for the parcel delivery quality of the most recent online purchases by country



Source: WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW.

Note: WIK-Consult Consumer survey, N=17,037. This statistical analysis includes the items 'Tracking the delivery process in real-time', 'Notification of any attempt to deliver the item', 'Delivery to the agreed location', 'Delivery on time', and 'Courteous deliverer'.

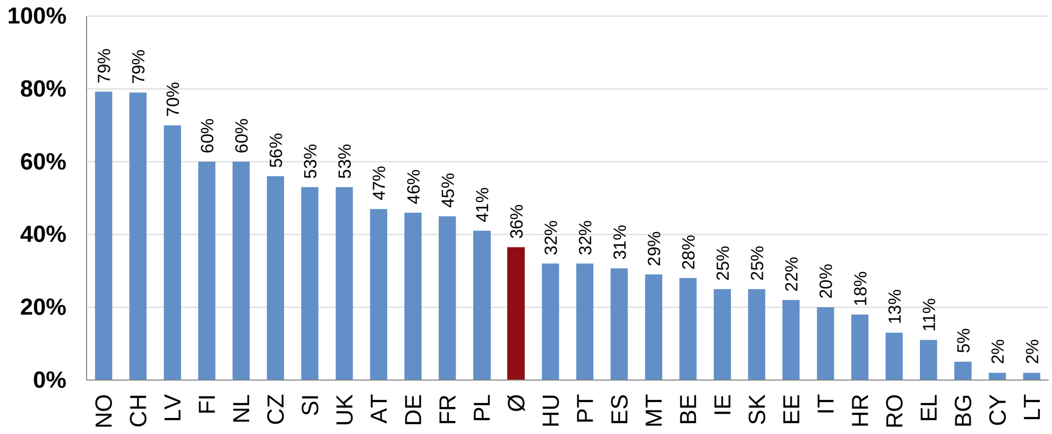
Overall, European consumers seem to be rather satisfied with the quality of service of international parcel deliveries. Although there is no published data on the quality of service of parcels available, a consumer survey conducted by WIK-Consult in 2018 provides some insights. The survey responses formed a basis for service quality score indices. The index scores indicate the consumers' 'perceived service quality', i.e. the result of consumers' evaluation processes, in which consumers compare their expectations of what they think how a service should be provided and their perception of the actual service they received.[38] Consequently, if the service equals the consumers' expectations, the index score is 100 and service levels above consumers' expectations would result in a score above 100.

Figure 24 illustrates the index scores for the parcel delivery quality of the most recent (domestic or intra-EU) online purchase by country. The results show that in almost all countries, the parcel delivery quality is close to consumers' expectations. The delivery quality of alternative carriers is perceived higher than the quality of service provided by the universal service provider in most countries. Only in Belgium, Cyprus, Germany, France, Ireland, Norway and Sweden, the universal service providers' perceived service quality is rated higher than the quality of other carriers by the consumers. Generally,

38 For details on the methodology see WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW, Chapter 4.3.

there are only small differences in service quality index scores between the universal service providers and their competitors in most countries.

Figure 25 Incumbents' market share in domestic parcel delivery (2016*)



Source: WIK-Consult based NRA Market Reports, USP Annual Reports, and Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW.

Note: The composition of parcel volumes and definition of the parcel segment vary among countries. The market share represents the approximate volume share of the universal service provider in 2016. * The market shares in NO, NL, AT, and ES refer to the volume shares in 2017. No data available for CZ, IS, LU, SE.

The dynamic growth in e-commerce and parcel markets all over Europe provides opportunities not only for the national postal providers and established parcel and express carriers but also for smaller courier companies via broker platforms that coordinate existing courier capacities and e-retailers' demand. Additionally, large e-retailers, like Amazon, provide delivery services via own capacities or in cooperation with local courier companies. As a result, the parcel markets in most European countries are generally competitive and universal service providers have very different roles and market shares in their domestic parcels markets (see Figure 25). Additionally, the growth in e-commerce entails new entries and acquisitions and spurs competition in many Member States.

Summary and conclusions

Developments in parcel markets are completely different to letter markets. Parcel markets are much more competitive than letter markets. Both USPs and other parcel carriers improve quality of service and offer new services. E-commerce customers benefit from enhanced choice for delivery options and alternatives to door delivery which is reflected in high service quality scores for parcel delivery. At the same time, parcel prices have increased only slowly or even decreased in several Member States in recent years.

2.3 The future role of hybrid mail

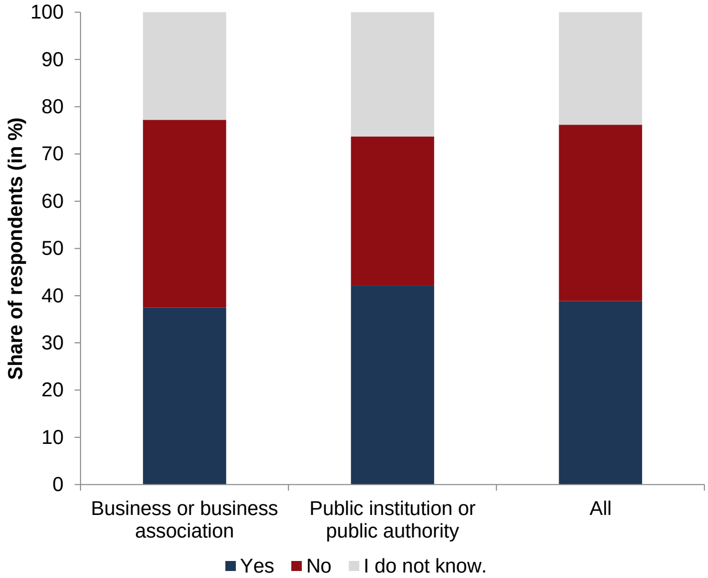
Technical progress in IT software, interfaces and print technology, as well as the growing ambition of companies to digitise internal processes, have had an impact on supply and demand for hybrid mail. Hybrid mail is an electronic-based postal service where the sender posts the original message electronically and a hybrid mail service provider then processes the message either via a (secure) electronic mail system or (depending on the recipients preferences and technical possibilities) into a letter-post item for physical delivery.[39]

The number of hybrid mail providers has increased, at least in Germany.[40] The UPU regularly tries to gain more insight in the hybrid mail market, however, there are only few Member States that provide statistics on hybrid mail volumes for 2018, e.g. BG (c. 25 million items), CZ (c. 76 million items), IT (311 million items), LV (c. 7,368 items) and LT (c. 8 million items). Reasons why hybrid mail use is so different across Member States lie partly in the fact that digitisation of senders and receivers is very diverse and therefore the emergence of hybrid mail service providers differs. On the other hand, some Member States like DK for example use hybrid mail to manage the transition of e-government solutions adoption. Receivers with the digital infrastructure and devices receive their correspondence from public authorities via a central e-government platform while others can choose to receive messages by letter mail. The hybrid mail service provider will continue to pursue the preferences of the receivers and adjust the system accordingly. Typical providers of hybrid mail services are IT solutions providers, printing businesses and postal service providers. A business or public sector institution provides documents in electronic format to these suppliers, the hybrid mail providers. The hybrid mail provider then prints and envelopes the physical letters, and delivers them (or agrees on terms with a postal operator). Receivers with a registered e-mail address with the sender (or hybrid mail provider) can also get the documents electronically if the hybrid mail provider offers this service.

39 Defined in CEN/TS 16326:2013, Postal Services - Hybrid Mail - Functional Specification for postal registered electronic mail.

40 See WIK Diskussionsbeitrag No. 434: Hybrid mail in Germany (Antonia Niederprüm) for details on market development in DE.

Figure 26 Awareness of any hybrid mail solutions (all respondents in per cent)

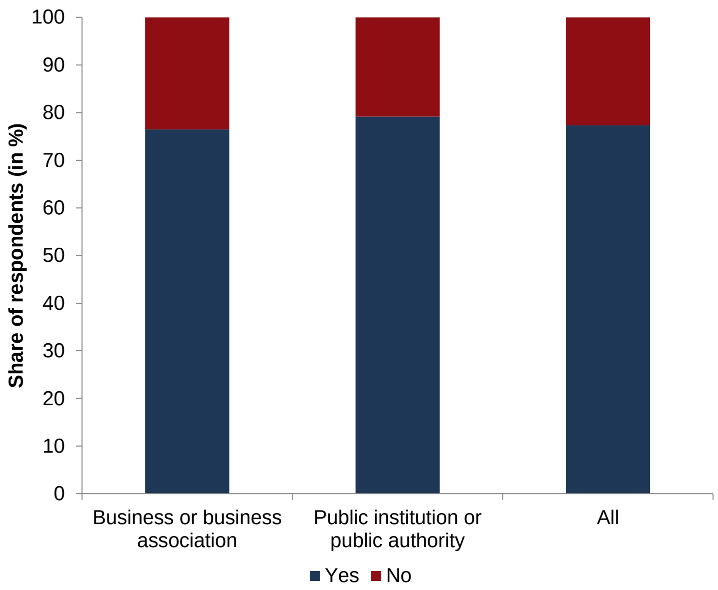


“Are you aware of any hybrid mail solutions in your country?”, N=193.

Source: WIK Stakeholder online survey 2019 / postal users: sub-groups public institutions or public authorities / businesses or business associations.

Potential hybrid mail customers are usually small and medium-sized enterprises and local public institutions. In future, these customers may increasingly force a transition process from physical mail to electronic communication and hybrid mail solutions are a potential facilitator for this process. For a start, outsourcing of outgoing mail is an efficient option for senders to foster digitisation of internal processes. This way, hybrid mail can generally be considered as a bridging technology from physical to digital (see Case study 3: E-government in Denmark) as a well-functioning example. This might further promote the demand for hybrid mail services in already digitised businesses and institutions.

Figure 27 Usage of hybrid mail solutions for sending mail (respondents in per cent)

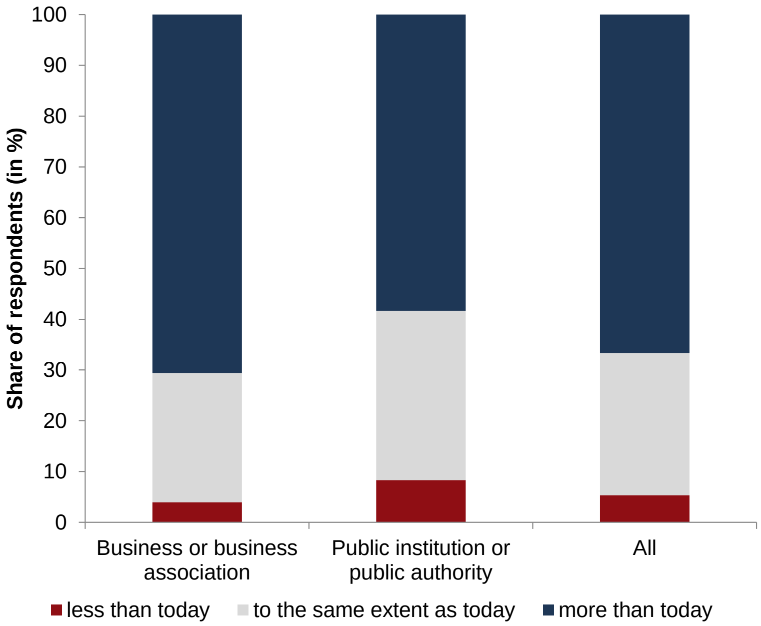


"Are you / businesses in your sector using a hybrid mail solution for sending mail?", N=75.

Source: WIK Stakeholder online survey 2019 / postal users: sub-groups. public institutions or public authorities / businesses or business associations.

However, the results of the WIK Stakeholder online survey does not show a high awareness for hybrid mail among postal users. In our sample, the postal user sub-groups of public institutions or public authorities and businesses or business associations were asked if they know about hybrid mail and use it or know about businesses in their sector who use it. Only 39 % of respondents know about hybrid mail in their country (AT, BE, CH, DK, ES, FR, DE, HU, IE, IT, LT, NL, NO, PL, PT, RO, UK), 57 public institutions or public authorities and 136 businesses or business associations responded (see Figure 26). 77 % use it or know about businesses in their sector who use it (see Figure 27).

Figure 28 Use of hybrid mail solutions in future (respondents using hybrid mail, in per cent)



"In your opinion, how will you / businesses in your sector use hybrid mail solutions in the future: In the next 5-10 years, we / businesses in our sector will use hybrid mail solutions…", N=75.

Source: WIK Stakeholder online survey 2019 / postal users: sub-groups. public institutions or public authorities / businesses or business associations. WIK Stakeholder online survey 2019.

As a general trend, market participants assume that a part of the overall declining letter volume will be shifted more and more to hybrid solutions (see Figure 28). This can result in a growing demand for hybrid mail services particularly from small and medium-sized companies and local government authorities in the next years.

Summary and conclusions

Hybrid mail solutions potentially facilitate the transition process from paper-based to digital communications. The solutions could also help with narrowing the "digital divide" between non-onliners and people using digital devices for communicating with government authorities. Today, hybrid mail customers are usually small and medium-sized enterprises and local public authorities but also large senders, e.g. insurance companies, who outsource outgoing mail. Hybrid mail offers new business opportunities for IT solutions providers, printing businesses and postal service providers. Awareness of and demand for hybrid mail solutions still seems to be rather low.

2.4 Drivers for future developments

Drivers influencing communication patterns today and factors that might have a major impact on future behaviour of postal users first and foremost arise from the overall expansion of digital networks and the users' adoption of communication solutions. The European Commission has taken account of this worldwide trend and has fostered and strengthened the digital development by introducing the Digital Agenda in 2010, setting ambitious goals to be reached by 2020. To ensure a fair, open and secure digital environment, the Commission has built a Digital Single Market Strategy for Europe on three pillars: providing better access for consumers and businesses to digital goods and services across Europe, creating the right conditions for digital networks and services to flourish, and maximising the growth potential of the digital economy.[41] The digital scoreboard[42] measures the performance of Europe and the EU Member States on a wide range of topics and shows significant progress in the field of e-substitution of previously paper-based transactions and communications. The scoreboard does not, however, explicitly refer to the effects on the letter market but the strong upward trends imply large substitutional effects today and in future.

Examples for potential accelerators of substitution of traditional letter-based communication include innovations in e-government, social media, online magazines and newspapers, online advertising, cost-saving of senders by introducing seamless digital processes within their organisation and beyond, new easy-to-use devices at lower prices, and last but not least generation change and the image of "The future is digital". The special feature of building a Digital Society in Europe are the potential disruptive implications for traditional forms of communication and information, i.e. letters, newspapers and magazines, TV programmes, or fixed-line phone calls. Sometimes the quantity and quality of new applications is growing at an exponential rate. For example, e-mail, instant messaging apps for smart phones and social media platforms have very rapidly reduced the demand for consumer letters and cards.

Subsequently, e-substitution influences letter and parcel volume development which in turn affects future prices and competition in the letter and parcel market as well as the quality of service of letter mail: availability, reliability, speed of delivery. On the other hand, potential inhibiting factors for e-substitution might include the senders' budget for digitisation which might be too small, the lower responsiveness of clients and business partners compared to letters, the lack of full substitutions for validation and verification (juridical or technical problems), the delay of digitisation of governments, a slower roll-out of broadband in rural and remote areas (or, at all in some Member States), and the overall economic development which influences recipients' and senders' digitisation strategies.

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41 Factsheet Digital Agenda for Europe, http://www.europarl.europa.eu/factsheets/en/sheet/64/digital-agenda-for-europe.

42 https://ec.europa.eu/digital-single-market/en/scoreboard.

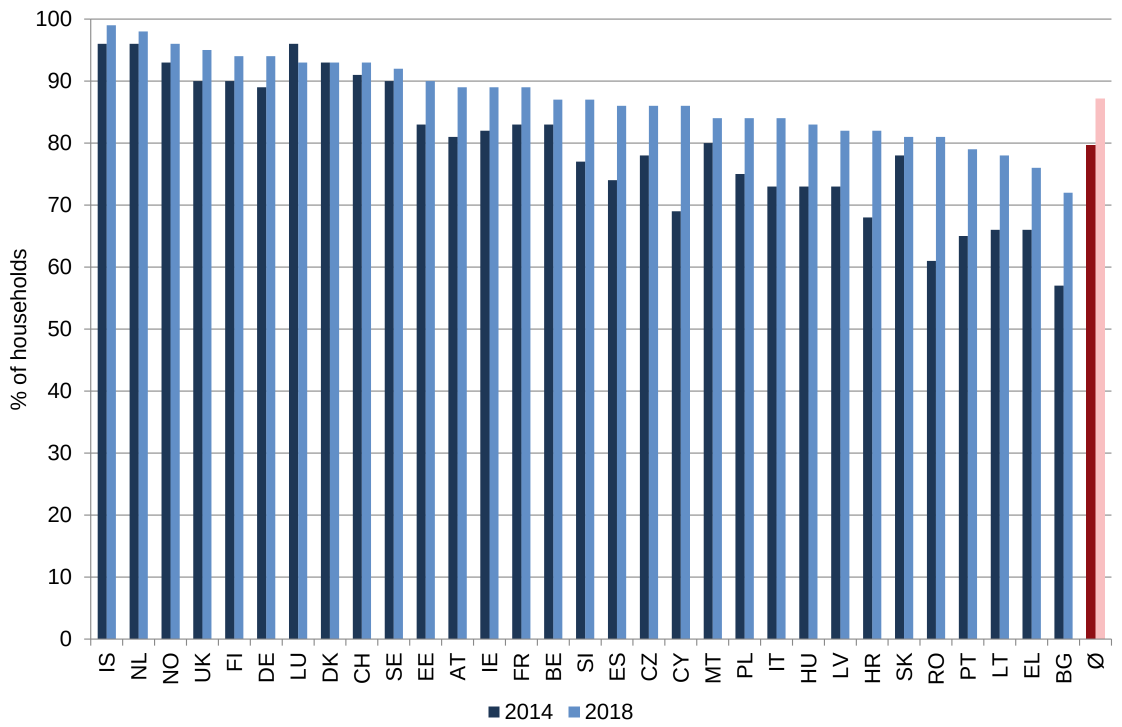
In the following chapters we will describe five main drivers of future developments in the postal market: (1) broadband coverage and internet use, (2) digitisation of business communication, (3) digitisation of private users' communication, (4) e-government services, and (5) the impact of increasing share of e-commerce. All five drivers will influence the demand for postal service in the next 5-10 years.

2.4.1 Broadband coverage and internet use

Aspects of broadband coverage and internet use should be taken into account with regulatory decisions on postal services as the availability of digital alternatives is a prerequisite for e-substitution of letters. Our research shows, that even these days internet access cannot be taken for granted anywhere or by anyone.

In principle, the great majority of people living in the EEA and Switzerland are able to substitute letters for digital applications. On average, 87 % of households in the EU had internet access in 2018 which is an eight percentage point increase since 2014 (see Figure 29). Most of the countries in the sample experienced an increased share of households with internet access, except for Luxembourg which saw a decline from 97 % in 2017 to 93 % in 2018. The countries with the most improved internet access rates from 2014 to 2018 include Romania, Cyprus, Bulgaria, Portugal, and Croatia. Despite a 15 percentage point improvement, Bulgaria remains the country with the lowest proportion of households with internet access at 72 % in 2018. On the other hand, Iceland remains the country with the highest proportion of households with internet access at 99 % in 2018.

Figure 29 Households with internet access in the EU, 2014-2018



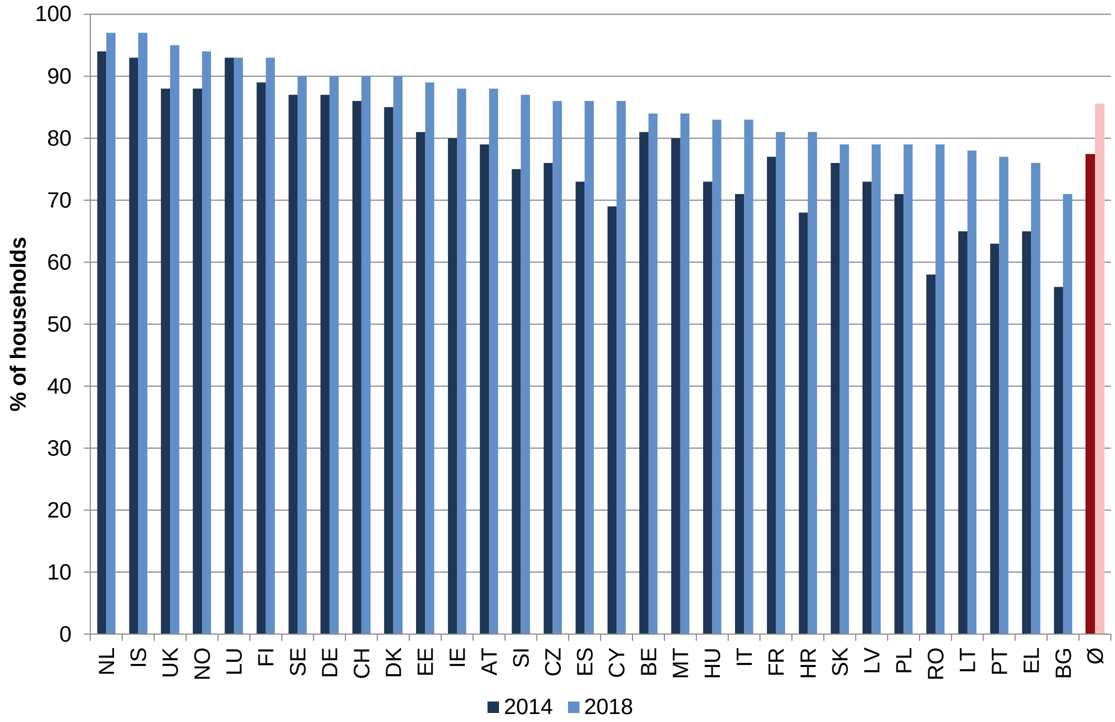
Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017. No data for LI.

Furthermore, there exists a strong positive correlation between the shares of households with internet access and the shares of households with access to broadband internet. As many senders offer digital communication via web forms on websites including graphics and more and more audio/video content as an alternative to letters, broadband access citizens and businesses need reliably high bandwidth to get access to the content. Broadband access is also a condition for convenient use of e-retailers' and marketplaces' websites. Above all, one should also remember that for becoming an e-retailer, uploading own content with high speed rates is indispensable.

Broadband is defined as telecommunications in which a wide band of frequencies is available to send data at high speeds (greater or equal to 144 kbit/s) (Eurostat, 2019). Figure 30 shows the evolution of the shares of households with broadband access in the sample countries between 2014 and 2018. The trends are almost identical to the trends in households with internet access. However, the shares of households with broadband access are slightly lower compared to the shares of households with internet access. On average, approximately 97 % of households in the EU with internet access have access to broadband. The Netherlands and Iceland have the largest shares of households with access to broadband at 97 % in 2018, while Bulgaria has the smallest share at 71 % in 2018.

Figure 30 Households with broadband internet access in the EU, 2014-2018

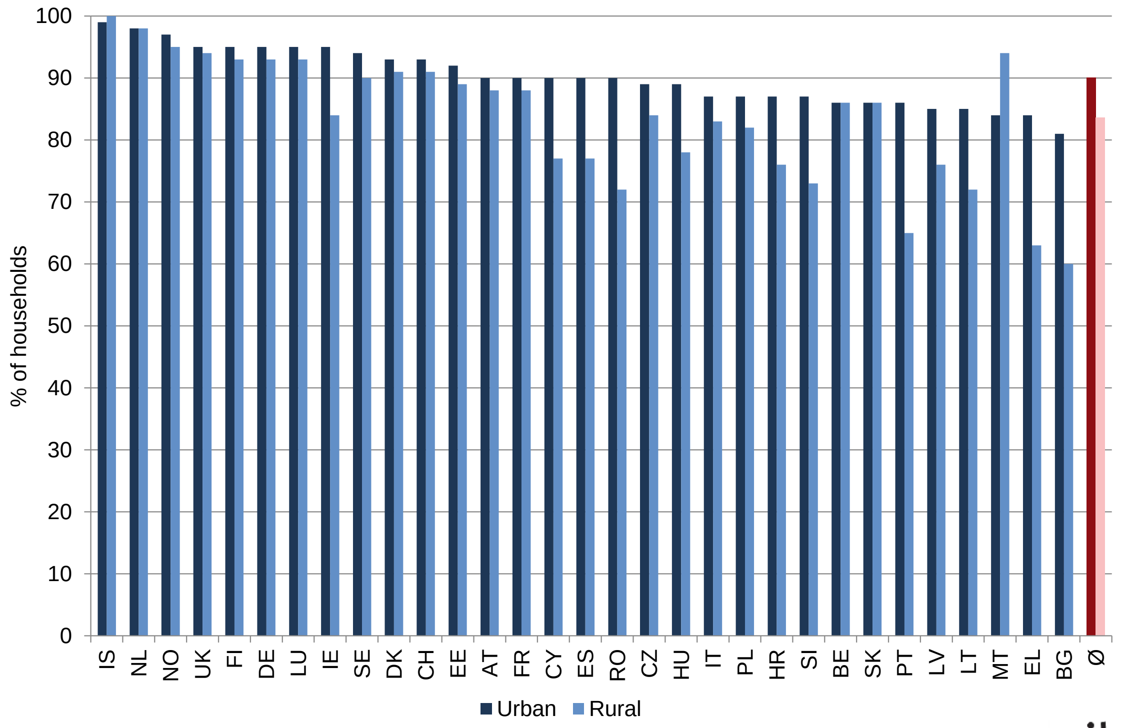


Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017. No data for LI.

The evidence further suggests that there exists a "digital divide" between rural and urban households (on average, only 85 % of rural households have access to the internet compared to 90 % of urban households in the sample countries in 2018) (see Figure 31). However, the divide is not as prevalent in all countries. In contrast, households in rural areas in Malta exhibit a larger share of internet access than households in urban areas. A reason for this may be that special programs implemented to improve internet access in rural areas have been particularly successful. The countries with the most prevalent digital divides between urban and rural households are Bulgaria, Greece, and Portugal.

Figure 31 Digital divide between urban and rural households in the EU, 2018



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017. No data for LI.

As regards the future, there are policy measures in the EU and in the Member States that relate to tackling the divide.[43] For example, the EU has introduced a series of policy and regulatory measures (including defining areas where state aid is permissible) and has made some 15 billion euro available to Member States for broadband infrastructure. Broadband coverage has generally improved across the EU and Member States have been working to reach the Europe 2020 targets. However, the most recent audit (12/2018) points out that "the Europe 2020 targets will not all be achieved. Rural areas, where there is less incentive for the private sector to invest in broadband provision, remain less well connected than cities" and the report also stresses that take-up of ultra-fast broadband is significantly behind target overall.[44] This development shows that e-substitution of letters and use of e-commerce has still some infrastructure-related limits which will not be overcome as quickly as planned.

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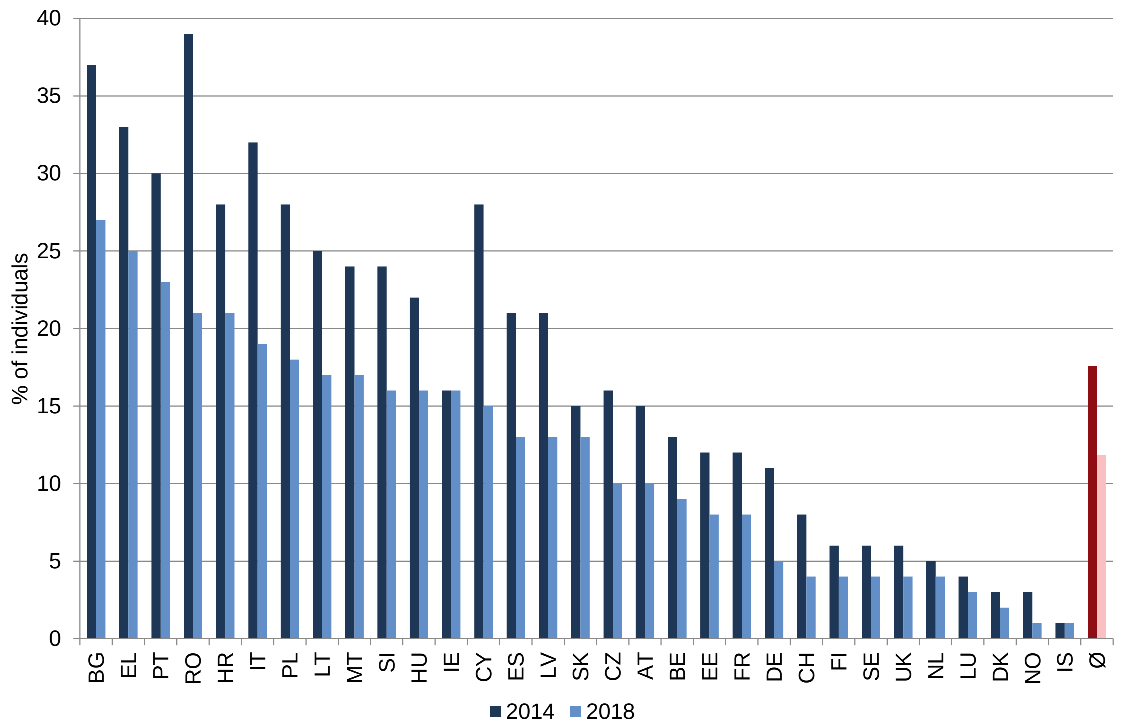
43 For a comprehensive overview see the EU website on Policies on Broadband Europe (including country reports) https://ec.europa.eu/digital-single-market/en/policies/75980/3608; and the most recent report on broadband development in the EU: European Court of Auditors (ECA) Special Report (12/2018): Broadband in the EU Member States: despite progress, not all the Europe 2020 targets will be met (pursuant to Article 287(4), second subparagraph, TFEU) https://www.eca.europa.eu/Lists/ECADocuments/SR18_12/SR_BROADBAND_EN.pdf. The audit covered the 2007-2013 and the 2014-2020 programme periods and all the EU funding sources.

44 European Court of Auditors (ECA) Special Report (12/2018), p.

Another interesting observation is that while individuals' access to the internet has been increasing over time, the use of desktop computers to access the internet has marginally declined between 2016 and 2018. This could suggest that mobile broadband has become more popular, easier to access, and more convenient to use than fixed-line broadband and other alternative types of internet connections. Increases in the proportions of individuals that access the internet through mobile or smart phone are especially prevalent in Romania, Czech Republic, Lithuania, Poland, Bulgaria, Cyprus, and Greece with all of them experiencing increases in excess of 14 percentage points between 2016 and 2018.

As more people gain access to the internet, it may be expected that there exist fewer people that have never used the internet. This is confirmed in Figure 32. In most countries, there is a clear decline in the proportion of individuals that never used the internet between 2014 and 2018. On average, 12 % of individuals in 2018 have still never used the internet. This proportion of individuals is the largest in Bulgaria with 27 % in 2018, while Greece, Portugal, Romania and Croatia also record shares of more than 20 % in 2018.

Figure 32 Individuals who never use the internet, 2014-2018



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017. No data for LI.

Summary and conclusions

The overall majority of households in the EU has access to the internet. Despite noticeable progress towards the Europe 2020 broadband coverage targets, a gap between rural households and urban households with access to broadband still persists. The number of individuals who have never used the internet is constantly declining but still slightly above 12 %. The proportion of individuals who have never used the internet is largest among elderly people and in countries like BG, EL, PT, RO and HR. As internet use and broadband coverage cannot be taken for granted anywhere and by anyone, letters will remain an important means of communication for a (smaller and smaller) proportion of the population.

2.4.2 Digitisation of business communication

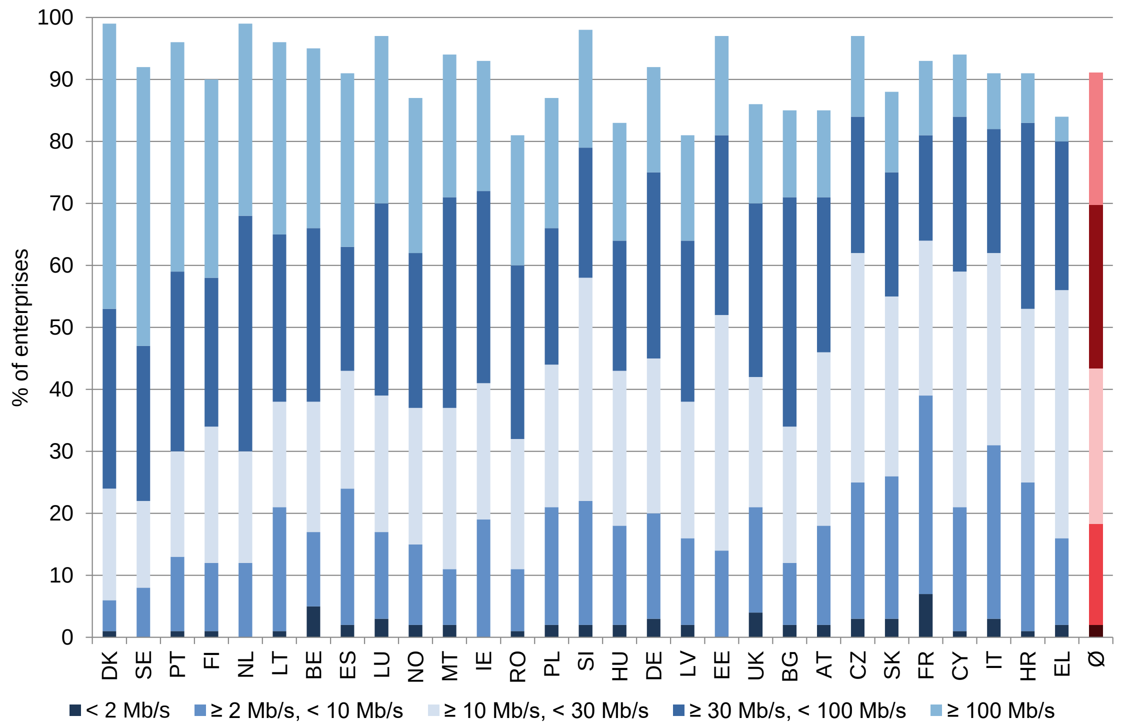
In the recent past, digitisation has significantly changed the way companies communicate with their customers, suppliers, partners and government. In many areas, but by far not all, paper-based communication has been replaced and substituted by electronic communication. Based on available data, we will discuss the main features of the potential aspects that accelerate this development and, in contrast, which aspects could lead to a slow down.

Broadband coverage

An indicator for the expansion of broadband coverage can be presented by the proportion of enterprises that use broadband internet and their maximum download speeds for 2018. From the evidence, in the EU on average, 21 % of enterprises have access to at least 100 Mb/s download speeds, while 26 % have speeds between 30 and 100 Mb/s, 25 % have speeds between 10 and 30 Mb/s, and 18 % have speeds of less than 10 Mb/s. The proportions of the 30 to 100 Mb/s and over 100 Mb/s connections have generally been increasing across all EU countries between 2014 and 2018, and subsequently the shares of the slower connections have been steadily decreasing. Denmark, Sweden, Portugal, Finland, the Netherlands, and Lithuania have the largest proportions of enterprises with 100 Mb/s or more download speeds, each exceeding a share of 30 % of enterprises. Conversely, the countries with the largest share of enterprises with download speeds of less than 10 Mb/s include France, Italy, Slovakia, Czech Republic, Croatia, and Spain with each exceeding 24 % of enterprises. There are only 3 % of businesses in the EU without internet connection at all (Eurostat 2017) and thus we can assume that the overall majority of them is technically ready to move away from letter-based communication towards digitisation in future.

Technical progress is ever more rapid in mobile broadband. The roll-out of 5G mobile data network will open up lots of new use cases for businesses as it will be much faster than previous generation networks. It will enable new business models in e.g. e-retailing, healthcare, education, transportation or entertainment as well as applications from connected cars and IoT (Internet of Things) devices to virtual reality. Even if it is still unclear how 5G will influence business communication as such, we can expect a further impact on businesses' digitisation strategies.

Figure 33 Maximum contracted download speed of the fastest fixed internet connection of enterprises, 2018



Source: Eurostat.

Note: Ø measures the average for EU-28 plus NO. There were no data for CH, IS or LI.

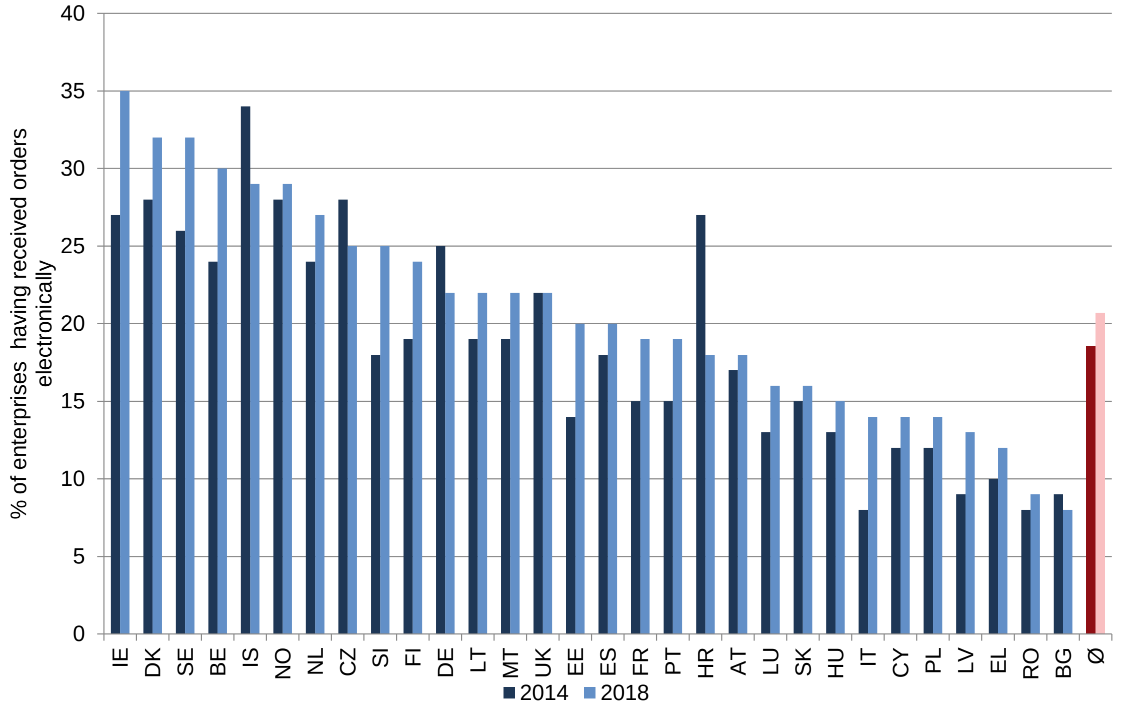
E-commerce and e-invoicing

The share of companies using e-commerce and e-invoicing is still relatively low compared to the use of electronic communication of private users. In 2018 on average 21 % of companies (with more than 10 employees) in the EU-28, have received their orders electronically which in turn relates to 17 % of their total turnover (see below Figure 34 and Figure 35). Furthermore, compared to 2014, this resulted in marginal increases of 2 percentage points in the share of companies and 3 percentage points in turnover[45]. We can assume, that this share will grow steadily in future and that the major impact on traditional forms of communication has not reached its peak yet.

45 This data is downloaded as of 7 August 2019 from the Eurostat online database on Digital economy and society.

This is especially true when we draw a comparison among Member States. Closer inspection of Figure 35 reveals that the top 3 countries are Ireland, Belgium and Czech Republic, where enterprises on average receive between 30-35 % of their total revenue from e-commerce. The second group of countries ranges between 20-25 % (Norway, Sweden, Denmark, Hungary, France, Slovakia and Finland). Lastly countries like Latvia, Bulgaria, Greece and Cyprus only achieved 5 % or less revenue for enterprises obtained via e-commerce.

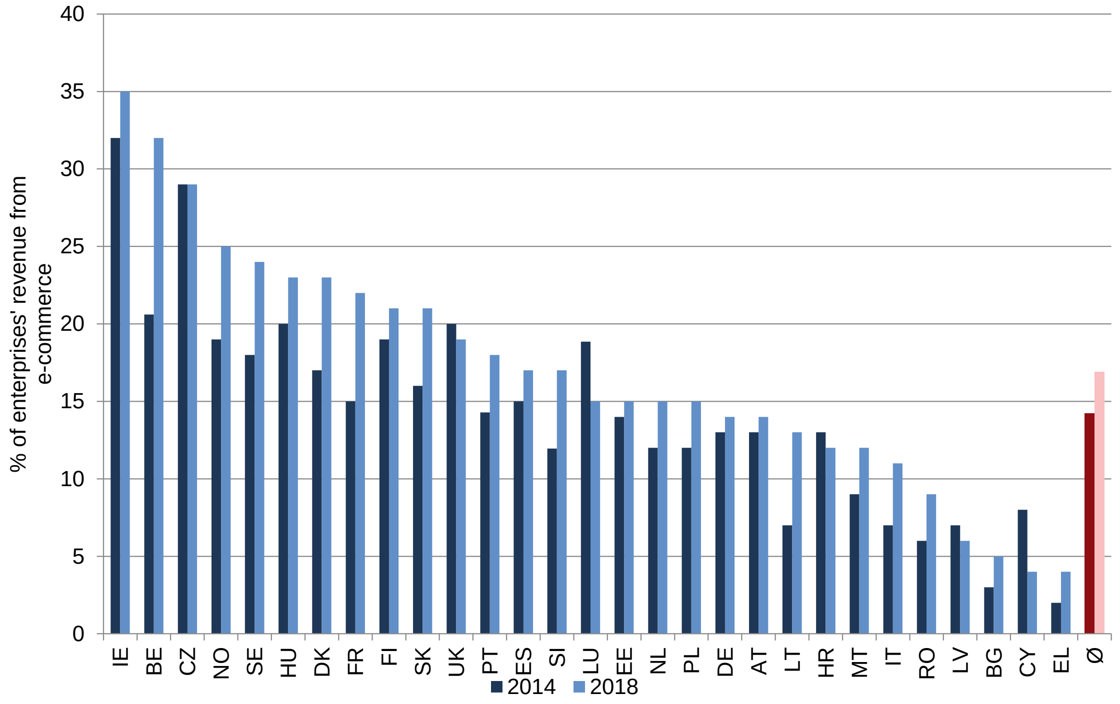
Figure 34 Percentage of enterprises having received (at least 1 %) orders electronically



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS and NO.

Figure 35 Percentage of enterprises total turnover received from e-commerce

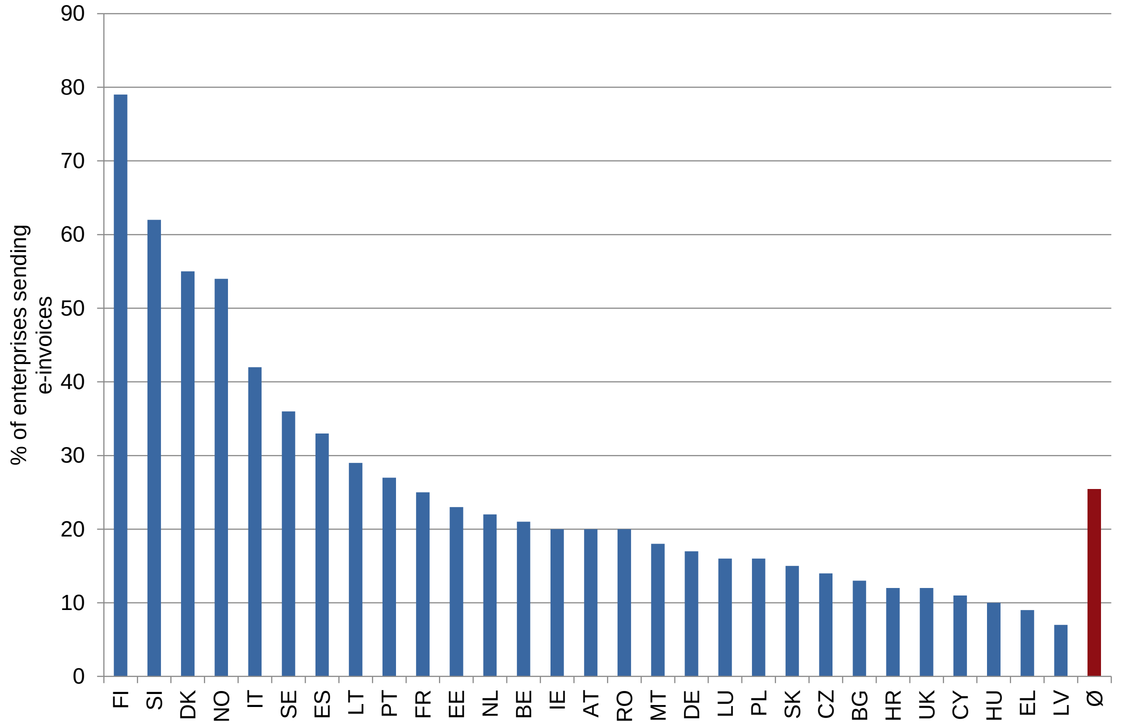


Source: Eurostat.

Note: Ø measures the average for EU-28 plus NO. Missing 2014 values for BE, PT, SI, and LU were interpolated. Most recent data for MT is 2017.

As seen above, in 2018 21 % of the enterprises were able to receive orders electronically (Figure 34) and it seems that at least the same share (25 %) of enterprises is able to electronically generate the related invoice (Figure 36). There are large differences among Member States. FI, SI, DK and NO are the forerunner countries where more than half of the enterprises send e-invoices but overall we can conclude that invoices are still an area where most enterprises prefer to send letters and where there is a large potential for e-substitution in future.

Figure 36 Percentage of enterprises sending e-invoices suitable for automated processing (2018)



Source: Eurostat.

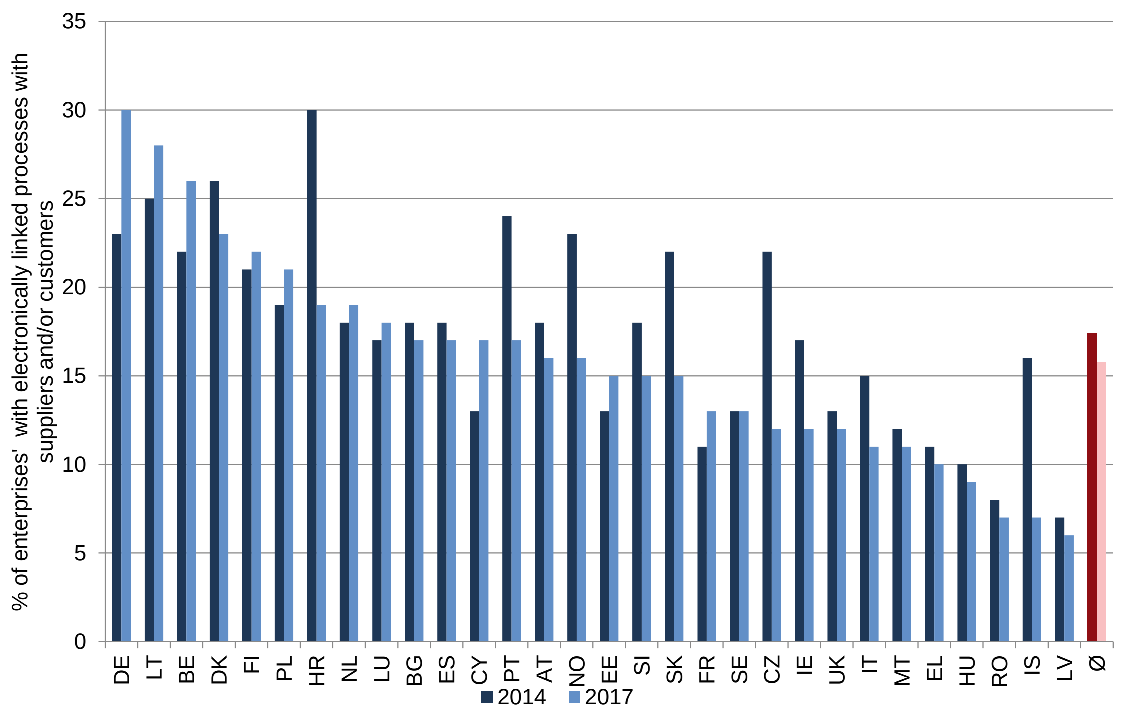
Note: Ø measures the average for EU-28 plus NO.

Digitisation of supply chains

Enterprises are part of supply chains with other suppliers, distributors and eventually large customers. Enterprises have connected their business processes and related systems like stock keeping of raw materials and ready-made products in warehouses and manufacturing. At one end, this entails systems of suppliers who provide raw materials, components and services, and the other end consists of distributors who order the ready-made products. This has enabled enterprises to respond faster on demand for services by keeping the right products in the right amount on stock or to produce them in time and plan for the required manufacturing and related ordering of components and raw materials. Digitisation of supply chains is the most effective way of substitution of traditional forms of communication between enterprises as communication is automated and substitutes letters, e-mails, or phone calls.

As can be observed in the figure below, on average 16 % of the enterprises have electronically linked their processes with their suppliers or customers in 2017 versus 17 % in 2014. There is a large variation; from 30 % for enterprises in Germany to 6 % for enterprises in Latvia. Interestingly, the majority of countries show a decrease from 2017 compared to 2014 (19 out of 30).

Figure 37 Percentage of enterprises whose business processes are automatically linked to those of their suppliers or customers

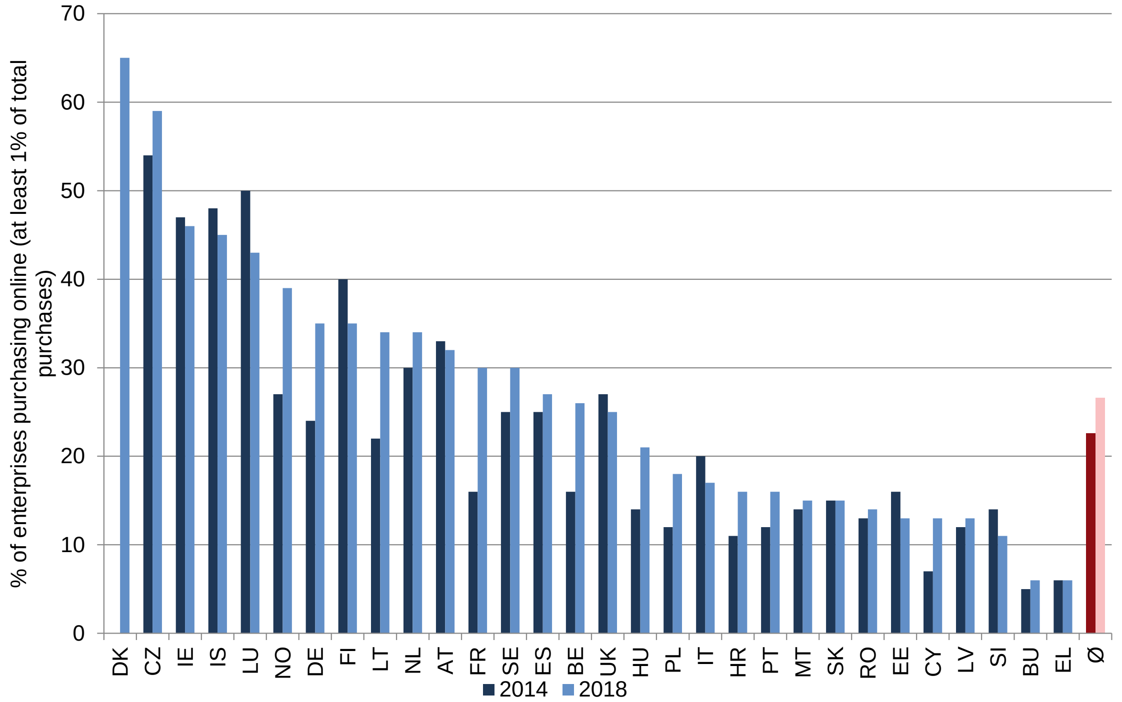


Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS and NO.

A specific aspect of electronically linking enterprise processes electronically with their suppliers and customers relates to online purchases, which is illustrated in Figure 38. On average, 27 % of the enterprises purchase their materials and components from suppliers online in 2018 versus 23 % in 2014. This seems to be an advantageous area for enterprises to integrate their systems as the share is much higher than the share of enterprises linking all processes as pictured in the previous figure (16 % on average). Furthermore, electronically linking purchase systems with suppliers is less comprehensive than electronically linking systems with suppliers and customers as pictured in Figure 37. For example, forerunner Denmark with 65 % of enterprises purchasing online (in 2018) versus 23 % of enterprises in Denmark linking their processes electronically (in 2017). There is however a large variation, from forerunner Denmark with 65 % to the last country Greece with 6 % of their enterprises purchasing online. Of particular relevance for the development of online purchasing will be how online marketplaces for B2B develop in the years to come.

Figure 38 Percentage of enterprises purchasing online at least 1 % of their total purchases



Source: Eurostat.

Note: Ø measures the average of EU-28 plus IS and NO. Due to partly missing data for 2018, values are extrapolated from previous years for 2018 for DE, EE, FR. IT, MT, AT, SI, FI, SE, UK, IS and EU-28. Earliest data for HR is 2015.

Today, the impact of B2B online market places still seems limited. This might be due to less transparency in business markets and complex supply chains. However, it is only a matter of time until large marketplaces start focusing on serving enterprises as well. An example is Alibaba, where businesses can already purchase an array of services. However, due to the complexity of certain sectors, specialised sector marketplaces are emerging as well.

E-public procurement

At European level public administrations have been modernised and there has been a strong push towards e-invoicing with the Postal Services Directive on electronic invoicing in 2014.[46] The Directive is calling for a European standard to be set and obliged e-invoicing for public procurement to be implemented from 18 April 2019 onwards (and one year later for sub-central authorities). On 28 June 2017, the European Committee for Standardization (CEN) delivered its work on setting the standard and published the semantic data model and the list of syntaxes for the

46 Directive 2014/55/EU.

European standard on e-invoicing. This will most likely lead to an increase in online purchasing of public administrations from 2019 onwards.

Factors which slow down e-substitution

Despite all the accelerators of e-substitution, there are also factors which might slow down e-substitution, and hence abate the trend of mail volume decline in business communication.

Availability and affordability of reasonably fast broadband connectivity for enterprises is a basic requirement. In general, business connections have been quite expensive compared to residential broadband internet connections due to demands for more reliability and also due to price politics of telecom operators and their traditionally high market share in this regard. Enterprises have high requirements not only in quality and speed but also geographical coverage, especially multi-site enterprises. These facts will not stop the trend towards digitisation and substitution of B2X letters but might slow down the development.

The push for e-government is increasing e-substitution for businesses, especially when it comes to government e-procurement and related e-invoicing. However, the successful implementation and integration of systems and processes remain a matter of having staff with the right resources and the available budget. Insufficiency in this area might on the one hand lead to a slowing down of e-substitution. On the other hand, public authorities push the development by obliging tenderers to use their e-procurement platforms.

The replacement of the traditional mail between companies could also be slowed down in certain sectors due to legal requirements or the legal character of mail exchange. For example, the judicial sector or regarding certain activities where legal accountability is an important factor and a paper trail or secured archive is of utmost importance.

Of course, archiving and authorised access are also important for electronic communication where it has replaced the use of traditional mail between businesses. Nonetheless, it is very unlikely that, even with security issues, an enterprise will go back to traditional business mail after having integrated its systems with external parties and having switched to electronic communication. The (cost) advantages and amount of work to switching back are simply too high.

Last but not least, attractive price strategies of postal operators, in an attempt to maintain certain mail volumes, can be effective if aimed at enterprises in advance of them shifting towards electronic variants, as the implementation costs and related personal efforts can be significant. However, this will most likely only delay e-substitution, as costs, are only one factor. Faster response on demand and supply fluctuations and increased data collection of their information flows are other factors which drive the integration of systems in between enterprises and with their partners in the supply chain. Once competitors in the market have gone this way and as a result strengthen their market position, it will only be a matter of time for other competitors to follow which will then further increase e-substitution.

Summary and conclusions

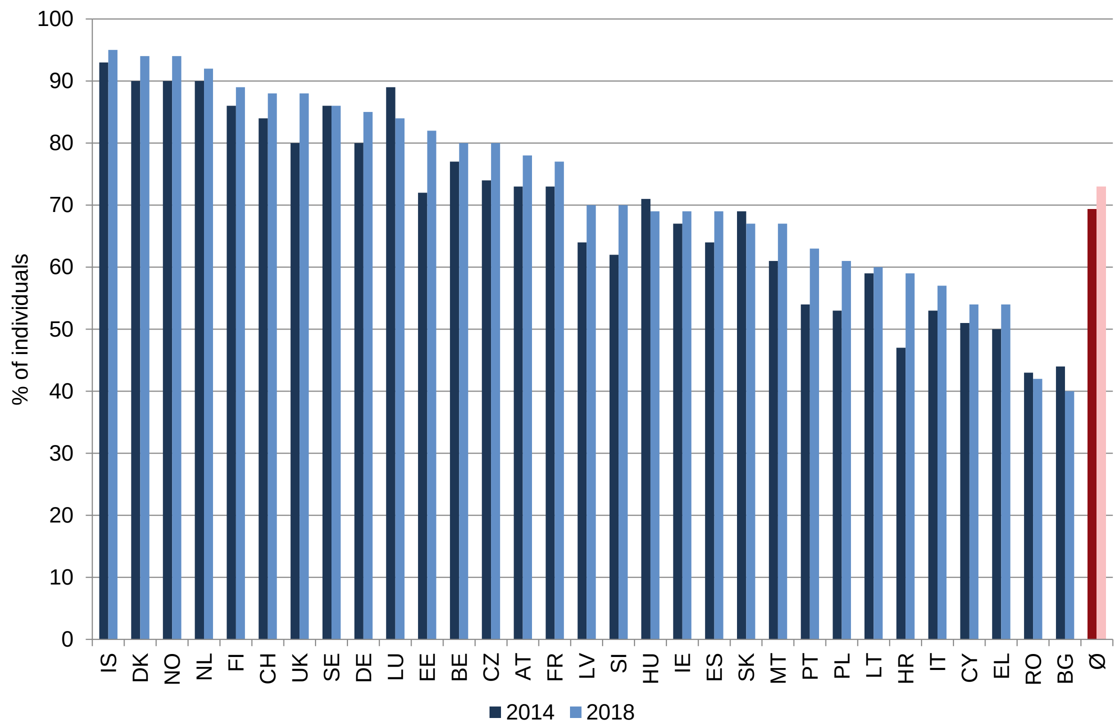
Businesses are in principle ready for digitisation and e-substitution of letters. However, for some crucial purposes like invoicing the overall majority still uses traditional letters. Digitisation of B2B communication has not yet reached its peak. Roll-out of new infrastructures (5G mobile network) and obligations of public authorities to use e-procurement platforms might accelerate the development. There are also factors which slow down e-substitution. Reasons for letter mail still being preferred in businesses compared to private communication are, for example, availability and affordability of broadband, qualification of personnel, IT budgets, and also legal requirements and security or archiving issues. The trend towards digitisation and substitution of B2X letters advances at a different pace in the Member States, in different sectors and in large companies versus SMEs, however, it will not come to a halt in future. Policy makers and operators can expect continuous volume decline in this segment.

2.4.3 Digitisation of private users' communication

As technology develops and evolves over time, an increasing number of people are adapting and acquiring the necessary skills to adequately utilise new devices and software. This not only applies to the professional and working environments, but even more to individuals' everyday lives. As result, consumer letters and cards have seen the most dramatic decline in volume over the past years.

As Figure 39 shows, there has generally been an increase in the proportion of individuals that use the internet to send and receive e-mails in Europe from 2014 to 2018. On average, 73 % of all individuals in the EU-28, Norway, Iceland, and Switzerland used the internet to send and receive e-mails in 2018. The Nordic countries (Iceland, Denmark, Norway, Finland, and Sweden), along with the Netherlands, the United Kingdom, and Germany recorded the largest shares of individuals that sent and received e-mails in 2018, each with a share of 85 % and above. Switzerland may also be included in this group if it maintains its share of 88 % of individuals that sent and received e-mails in 2017. In contrast, a few countries saw a decline in their proportions of individuals that send and receive e-mails, namely Luxembourg, Hungary, Slovakia, Romania, and Bulgaria. In the case of Luxembourg, the proportion of individuals that send and receive e-mails peaked at 93 % in 2016 before slightly falling to 92 % in 2017 and then dropping to 84 % in 2018. The other countries' with declining shares between 2014 and 2018 remained relatively consistent over this period. Furthermore, Romania and Bulgaria make up the bottom of the sample with only 42 % and 40 % of individuals that use the internet to send and receive e-mails in 2018, respectively. Certain countries like BG, CY, EL, RO are performing well below average, and other countries, namely Nordic countries are digital front runners. To clarify the reasons for this situation, we want to point out, firstly, that the per-capita gross domestic product in these countries often remains below the EU average along with different levels of investment into digital infrastructure and a lower level of individual consumption of internet access and digital devices. Secondly, digital skills are less developed namely in older age groups and in rural and remote areas. Thirdly, in Nordic countries adoption of digital solutions started earlier than in many other Member States. Digital education in schools starting in the 1990s, investment in e-government and programmes to enhance internet access in rural areas and the political aim to use digitisation as a means to compensate geographical disparities contribute to the forerunner status of the Nordic and other countries today.

Figure 39 Individuals' internet use to send/receive e-mails, 2014-2018



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017.

As shown in Table 10, the shares of the population sending/receiving e-mails have also increased across all age groups between 2014 and 2018. Most notably, there have been relatively strong increases in the share of the 55-64 years and the 65-74 years age groups, which imply that an increasing number of the elderly are also becoming more accustomed to using the internet to send and receive messages. In future, the group of elderly individuals using letters instead of e-mails might naturally grow out.

Table 10 Individuals in the EU-28 countries that use the internet to send/receive e-mails, by age group, 2014-2018

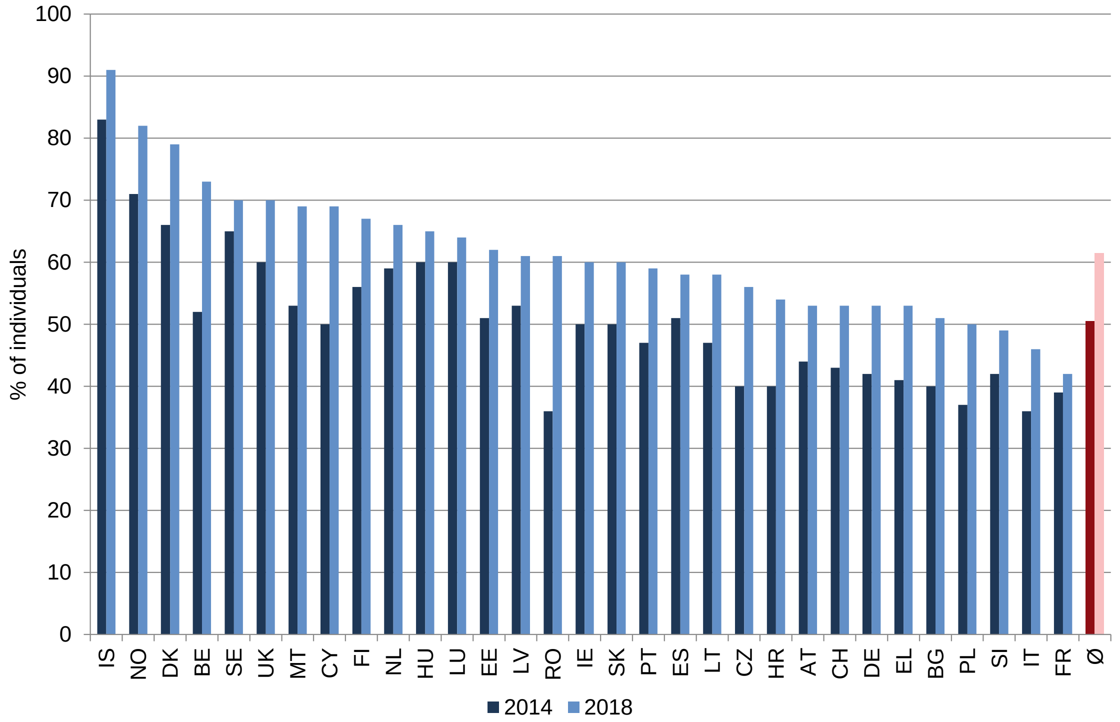
% of individuals	2014	2015	2016	2017	2018
16-24 years	85	86	86	87	86
25-34 years	85	85	85	87	88
35-44 years	78	78	80	81	83
45-54 years	68	69	71	73	74
55-64 years	53	55	57	59	61
65-74 years	36	38	41	43	45
All age groups	68	69	71	72	73

Source: Eurostat.

Another platform that increasingly more people use to communicate are the various social networks. Figure 40 illustrates the share of individuals for each sample country that use the internet to participate in social networks between 2014 and 2018. Social networks such as Facebook, Twitter, Instagram, and many more, offer possibilities for a wide variety of information to be shared between users, including posting messages, sharing photos, holiday greetings, etc., and for some users, these platforms have already substituted e-mail communication.

From the evidence, the participation in social networks has increased from 2014 to 2018 in all countries in the sample. Iceland, Norway, and Denmark have the largest shares of individuals that use the internet for social networks in 2018. Romania recorded the largest increase of 25 percentage points between 2014 and 2018, elevating it from the country with the lowest proportion of individuals that use social networks in 2014 to a share of 61 % in 2018, which is on par with the average share for the sample countries in 2018. France and Italy recorded the smallest shares of participation in social networks in 2018, with shares of 42 % and 46 % of individuals, respectively.

Figure 40 Individuals' internet use to participate in social networks, 2014-2018



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017.

Furthermore, Table 11 shows how participation in social networks of individuals has been increasing in recent years across all age groups. However, it is clear from the evidence that participation in social networks remains much more popular among the younger age groups for now, but this will probably change in future.

Table 11 Individuals in the EU-28 countries that use the internet to participate in social networks, by age group, 2014-2018

% of individuals	2014	2015	2016	2017	2018
16-24 years	85	86	85	87	88
25-34 years	72	75	76	78	79
35-44 years	52	58	60	64	66
45-54 years	35	43	45	48	51
55-64 years	20	26	28	31	33
65-74 years	10	14	16	17	19
All age groups	46	50	52	54	56

Source: Eurostat.

The consumption of information from newspapers and magazines is also increasingly being done online. This already had an impact on publishers' strategies to offer "freemium" tariffs for their online publications as buying paper publications or subscriptions to newspapers and magazines have declined sharply.

The evidence shows that in the EU-28 countries in 2017, on average, 61 % of individuals preferred to read online news sites / newspapers / magazines, up from 52 % in 2014. Italy and Romania exhibits the smallest shares of online news and magazine consumption in 2017 with 39 % and 44 % of individuals, respectively.

It is also worth noting that the use of the internet to read online news sites / newspapers / magazines has increased across all age groups between 2014 and 2017, as shown in Table 12. The evidence further suggests that the largest shares of individuals that use the internet for this purpose fall among the 25-34 years and 35-44 years age groups. The trend to use online publications instead of subscribing to paper-based publications among all age groups affects the delivery of subscribed publications send by postal service to the door of the readers and contributes to the overall volume decline.

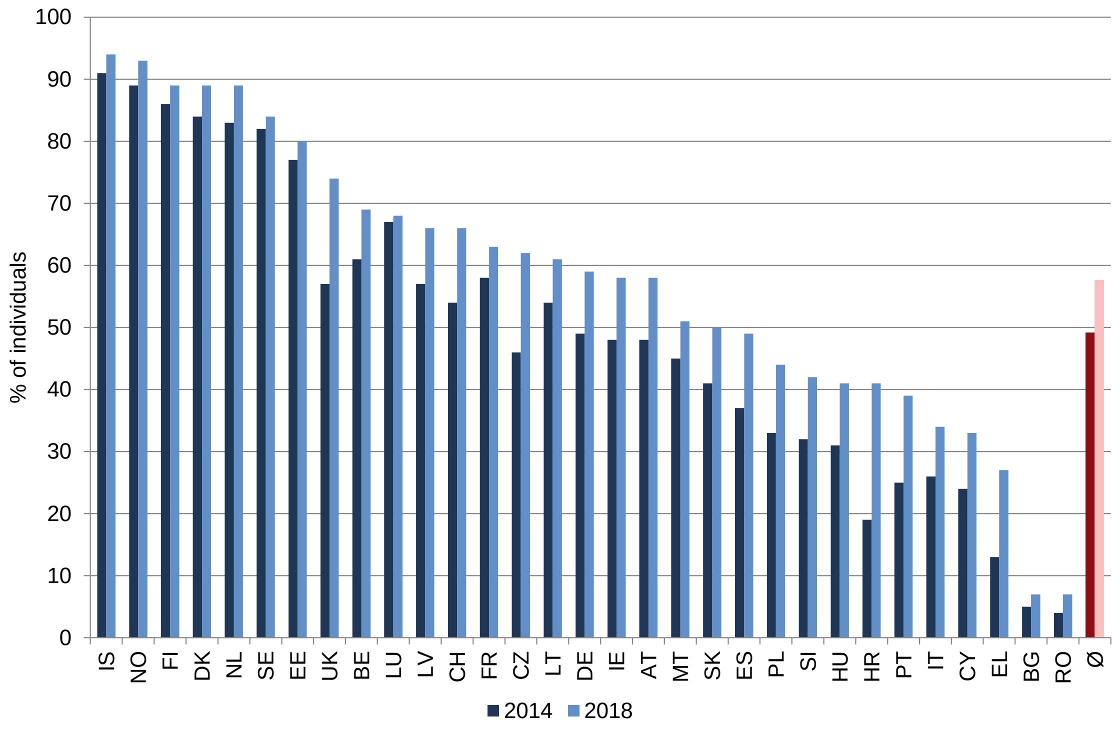
Table 12 Individuals in the EU-28 countries that use the internet to read online news / newspapers / magazines, by age group, 2014-2017

% of individuals	2014	2015	2016	2017
16-24 years	63	63	66	69
25-34 years	68	69	72	75
35-44 years	61	63	67	70
45-54 years	52	55	58	62
55-64 years	40	43	46	50
65-74 years	25	29	31	34
All age groups	52	54	57	61

Source: Eurostat.

The shares of individuals that use the internet for online banking have also increased between 2014 and 2018 for all of the sample countries (see Figure 41) and thus diminishing the amount of bank statements or other banking information by letter mail. From the data, it is observed that in the sample countries, on average, the share of individuals that do online banking increased from 49 % in 2014 to 58 % in 2018. The Nordic countries and the Netherlands exhibit the largest shares of individuals that do online banking, reaching shares of above 80 % of individuals since 2014 and approaching shares of 90 % in 2018 (Iceland and Norway already exceeding 90 % shares in 2018). Bulgaria and Romania have the smallest proportion of individuals that use online banking in 2018, with only 7 %. This could be due to a number of reasons, including concerns about security and privacy of information, and lower shares of households with access to the internet.

Figure 41 Individuals' internet use to do online banking, 2014-2018



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017.

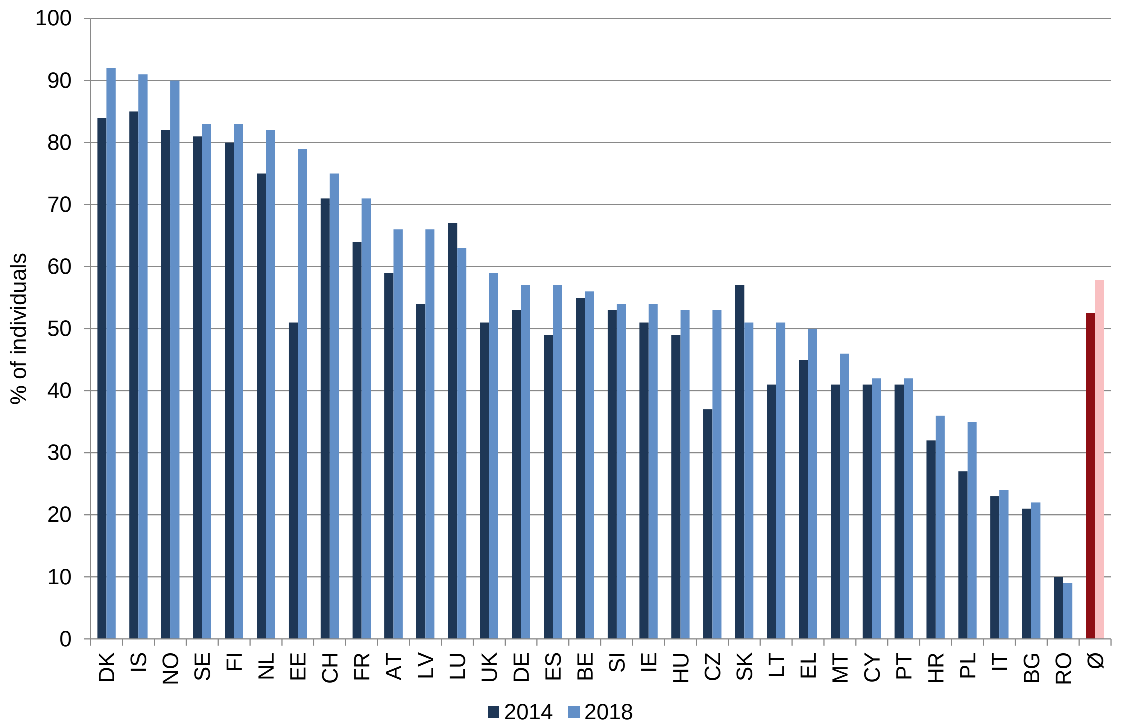
Furthermore, the overall increase in the shares of individuals' use of the internet for online banking also translates across all age groups, as shown in Table 13. Once again, the largest shares of individuals that utilise online banking services fall among the 25-34 years and 35-44 years age groups. Financial institutions encourage this development by their charging system. More and more institutions charge fees for bank statements sent by letter mail and offer online statements for free instead.

Table 13 Individuals in the EU-28 countries that use the internet for online banking, by age group, 2014--2018

% of individuals	2014	2015	2016	2017	2018
16-24 years	40	41	43	48	51
25-34 years	61	62	66	68	72
35-44 years	54	56	60	63	66
45-54 years	46	47	51	53	56
55-64 years	34	36	39	42	44
65-74 years	22	24	26	28	30
All age groups	44	46	49	51	54

Source: Eurostat.

Figure 42 Individuals' internet use to interact with public authorities in the last 12 months, 2014-2018



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for CH is 2017.

Another activity of individuals that is slowly beginning to gain traction is the possibility to interact with public authorities over the internet. This means no more waiting in long queues or manually filling out forms and driving to the relevant office to submit them.

E-government platforms allow people to download the necessary forms or fill them out online, scan documents and upload them to their profile where the relevant public authority has access to them, and also receive communication (e.g. charge notifications) from public authorities electronically instead of using letter mail.

From Figure 42, we observe that there has been an increase of individuals interacting with public authorities online over the period of a year between 2014 and 2018 for most of the sample countries, with an overall increase from 53 % to 58 % of individuals. Once again, the Nordic countries and the Netherlands recorded the largest shares of individuals, each in excess of 80 % in 2018, while Romania clearly had the smallest share of only 9 % of individuals in 2018. Furthermore, Romania, Slovakia, and Luxembourg are the only countries that saw a decrease in the share of individuals that use the internet to interact with public authorities between 2014 and 2018.

Table 14 Individuals in the EU-28 countries that use the internet to interact with public authorities in the last 12 months, by age group, 2014-2018

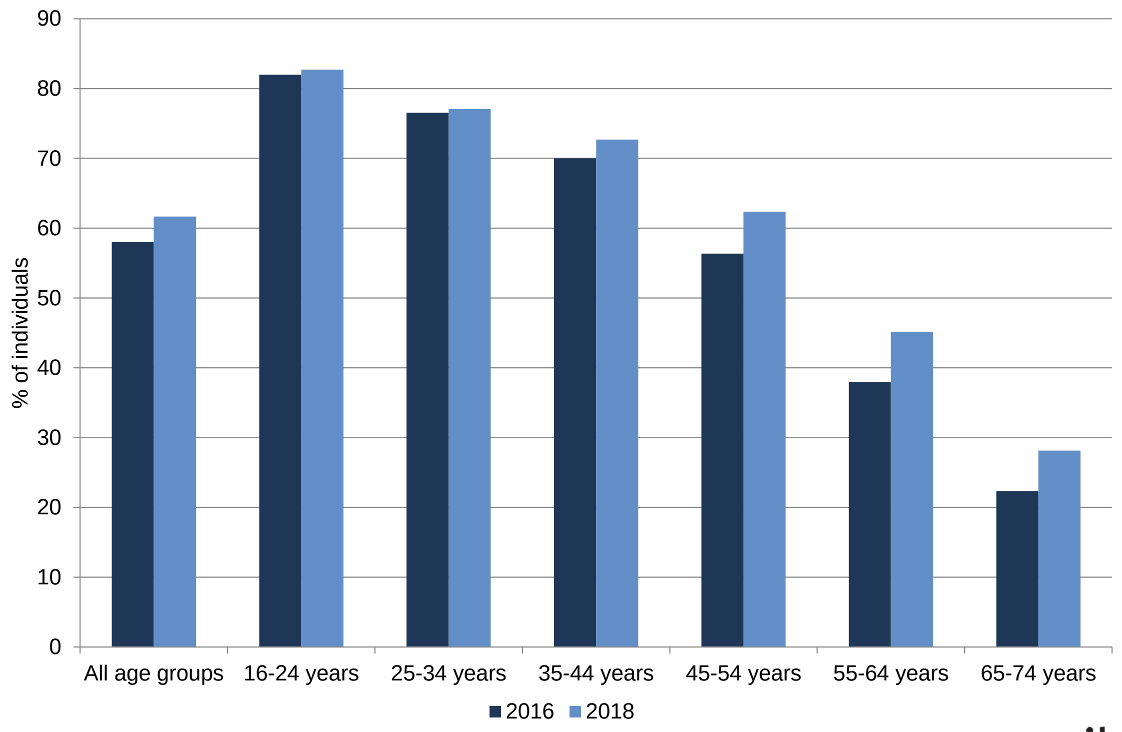
% of individuals	2014	2015	2016	2017	2018
16-24 years	48	45	45	46	54
25-34 years	59	59	60	60	63
35-44 years	56	56	58	59	63
45-54 years	50	50	52	52	55
55-64 years	37	38	41	42	44
65-74 years	23	24	27	27	30
All age groups	47	46	48	49	52

Source: Eurostat.

Table 14 further shows that the online interaction with public authorities has also increased across all age groups between 2014 and 2018.

The manner in which people are connecting to the internet to conduct the above mentioned activities is also evolving in accordance with the development of and access to new technologies and devices thus showing the proportion of individuals who are particularly savvy online users. For example, in the EU-28 countries, on average, the use of mobile phones and smart phones to access the internet has increased overall from 63 % of individuals in 2016 to 73 % of individuals in 2018 (Eurostat). This increase translates into increases across all age groups, with the younger age groups expectedly recording larger shares than older age groups. Nonetheless, the increases in the 55-64 years and 65-74 years age groups provide significant indications that elderly people's communication habits are also evolving and that there are more persons in these age groups that connect to the internet on the go. All in all, the group of individuals that can be reached by senders not only by e-mail but also via mobile applications and “one-click” solutions increases.

Figure 43 Individuals in the EU-28 countries that used the internet on multiple devices by age group, 2016--2018



Source: Eurostat.

Note: The sample countries include the EU-28 plus IS and NO.

On the other hand, the use of tablets as a means to connect to the internet appear to be deteriorating among people aged between 16 and 44 years, in the EU-28 countries on average, whereas people over the age of 55 appear to increasingly favour the use of tablets. The proportions of individuals that use a combination of either a desktop or laptop or netbook and a tablet or mobile phone or smart phone to connect to the internet, i.e. connects to the internet on multiple devices, have also increased across all age groups for individuals in the EU-28 countries between 2016 and 2018 (see Figure 43). These increases are predominantly driven by the significant increases in the proportion of people that use mobile phones and smart phones and tablets, while the decline in the use of desktops partially offsets this evolution of technological progress.

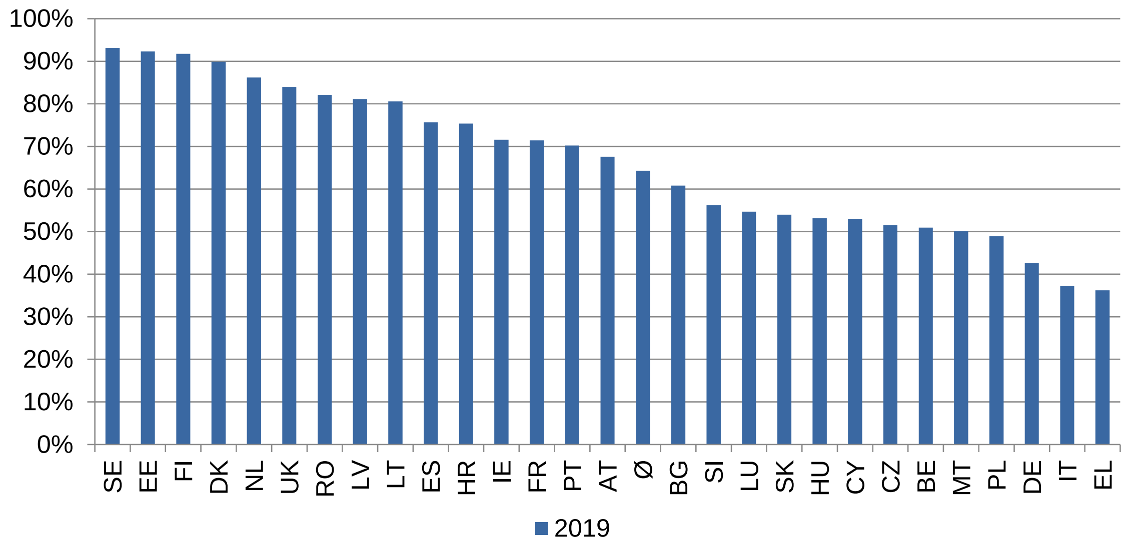
Summary and conclusions

The group of individuals who use the internet for social communication today includes the vast majority of the population in almost all Member States. E-mail, social networks, and the use of multiple internet access devices have reached all age groups. Consumer letters and cards have seen the most dramatic decline in volume over the past years and this trend will continue as the age groups of 55-64 years and over go on to adopt fixed-line and mobile internet applications. The group of people who never used the internet (non-onliners) is declining and will become even more marginal over time, however, considerable variations between age groups and Member States will probably remain for the next 5-10 years.

2.4.4 E-government services

Over the last years, we have seen a growing use of e-government solutions by citizens and businesses: 64 % of EU citizens who had to do government business would choose electronic public services. The most frequently mentioned reason was to "save time". Estonia is approaching nearly 100 % of citizens who can do all their communication with government authorities and other service providers (e.g. banks, insurance companies) online. On the other hand, we find countries where e-government services have only just started to become accepted. Letters sent by public authorities are roughly one-third of transaction mail overall, experts estimate, and therefore the impact of e-government solutions on the letter market can be severe.

Figure 44 E-government users 2019: per cent of citizens who would choose electronic services



Source: DESI - Eurostat.

Today, e-government is still in its infancy in some countries but especially Northern countries have made huge progress in this field and some have abolished letter communication to a very large extent. In some countries, we see more than 80 % of citizens using e-government services (LT, LV, RO, UK, NL, DK, FI, EE, SE) but we also see countries with less than 50 % of users (MT, PL, DE, IT, EL).

Member States have very different approaches to digitisation.[47] However, most are following one of these three overall principles of the "E-Government Action Plan"[48] of the European Commission:

- **One-Stop-Shop**: information and public services are accessible via a single point of contact (web-based e-government platform) for citizens and businesses.
- **Once-Only**: information provided by citizens and businesses are collected and saved only once – at a centralised database ("tell-us-once-principle").
- **Digital-by-Default**: electronic communications and transactions are the default option for government services. Personal contact or communication by letters is only available in exceptional cases.

Table 15 Level of implementation of e-government principles in selected Member States (DK, EE, FR, NL, SE)

Principle			
Level of implementation	**One-Stop-Shop**	**Once-Only**	**Digital-by-Default**
achieved			
in preparation			

Source: WIK Diskussionsbeitrag Nr. 436, 2018.

In Sweden and France, the implementation of "digital by default" is planned. Today, citizens and businesses can choose their preferred communication channel either digital or by letter. Sweden is also preparing to introduce a "once-only" platform. In Denmark, all citizens of 15 years and older are already obliged to use an electronic mailbox by default (by the provider e-Boks A/S, a subsidiary in DK and SE of PostNord) to receive government messages and for the use of e-government services. The individual e-Boks can be used via smart phone app or other computers. Communication

47 See WIK-Diskussionsbeitrag Nr. 436, 2018, Digitalisierung und Briefsubstitution: Erfahrungen in Europa und Schlussfolgerungen für Deutschland (Petra Junk).
48 See EU eGovernment Action Plan 2016-2020, p. 3.

via the so-called e-Boks is as legally binding as paper-based signed documents (see Case study 3 for details). Business senders like insurance companies and utilities, and also the Danish health authority, use this communication channel and have thus reduced the amount of letters sent to a mere minimum.[49] Estonia introduced an electronic ID-card in 2002 combined with secure e-mail for communication with government authorities. The use of the ID-card is obligatory for all citizens 15 years or older.

In 2015 in the Netherlands, the secure mailbox and webportal for citizens and businesses MijnOverheid is obligatory for communicating with the Dutch tax authority. It also comprises options for other government authorities and businesses (e.g. insurance companies, utilities) to approach citizens (see Case study 2).

On the European level, the European Parliament and the Council adopted Regulation (EU) 2018/1724 establishing a single digital gateway to provide information, procedures, assistance and problem-solving services in 2018 (see Case study 1). The regulation establishes a single point of e-government services access for all Member States. Experts are reserved when they were asked to evaluate the progress of the developments but the trend towards EU-wide e-substitution of Gov2X mail is clearly set for the future. The impact on letter mail volume might be rather low as Gov2X mail is a significant but small share of all letters. Citizens have only little contact with government authorities but business can benefit enormously from digitisation of tax payments, customs, statistics queries, or all kinds of permits and specific governmental requirements (environmental, security, building constraints etc.).[50]

Nevertheless, there are many other positive effects of e-government apart from saving shipment costs like savings in administrative costs, more transparency, and the vast opportunities of digital open data provision. These expected positive effects will remain a strong driver for further digitisation in future.

Summary and conclusions

Few Member States have already managed to introduce e-government solutions in almost all public service areas. The vast majority is only halfway or made even less progress, so we can assume that in most Member States e-substitution of Gov2X letters has only just started and will proceed even more quickly with the full implementation of

49 Only an estimated share of 10 per cent of the population in Denmark are not using e-Boks and receive letters instead. Letter service is realised via a hybrid mail service system offered by e-Boks to its customers (i.e. government authorities and businesses).

50 Most government contacts are personal (citizens apply for and collect documents in person). For example, the average German citizen has approximately 1.4 contacts with public services per year (see eGovernment Masterplan 2009-2014, http://starweb.hessen.de/cache/DRS/18/0/07730.pdf). In contrast, businesses (SMEs) have approximately 200 contacts with government authorities (https://www.dihk.de/branchen/informations-und-kommunikationsbranche/wirtschaft-4-0/e-book-2018/e-government).

the "E-Government Action Plan" and the single digital gateway by 2023 with its principles One-Stop-Shop, Once-Only, and Digital-by-Default. Especially businesses will profit enormously from e-government solutions and this development can have spill-over effects towards B2B digital communication.

Case study 1:	Single digital gateway by 2023 – 21 administrative procedures fully online in all EU countries for national and cross-border users

In 2018, The European Parliament and the Council adopted Regulation (EU) 2018/1724 establishing a single digital gateway to provide information, procedures, assistance and problem-solving services. The regulation establishes a single point of access to information, procedures and assistance services online for all Member States.

The aim is to "facilitate online access to the information, administrative procedures and assistance services that citizens and businesses need in order to get active in another EU country. By the end of 2020, citizens and companies moving across EU borders will easily be able to find out what rules and assistance services apply in their new residency. By the end of 2023 at the latest, they will be able to perform a number of procedures in all EU member states without any physical paperwork, like registering a car or claiming pension benefits."

More administrative procedures will be performed online by users in their own country and cross-border users. By December 2023 at the latest:

- A list of 21 important administrative procedures will be available fully online in all EU countries (see Table 16).
- All national online procedures will have to be made fully accessible to cross-border users.
- The 'once-only principle' (i.e. users should not have to submit to authorities documents or data already held by other authorities) will be applied to cross-border exchanges of evidence for a range of procedures. For these procedures, users will be given the option to request the direct exchange of evidence between authorities in different member states.

Source: WIK research based on interviews and on https://ec.europa.eu/growth/single-market/single-digital-gateway_en. Regulation (EU) 2018/1724 establishing a single digital gateway to provide

Table 16 E-Government procedures to be accessed and completed online in each Member State by 2023

Life events	Expected output of e-government online procedure
Birth	Proof of registration of birth or birth certificate
Residence	Confirmation of registration at the current address
Studying	Decision on the application for financing or acknowledgement of receipt
	Confirmation of the receipt of application
	Decision on the request for recognition
Working	Decision on applicable legislation
	Confirmation of receipt of notification of such changes
	European Health Insurance Card (EHIC)
	Confirmation of the receipt of the declaration
Moving	Confirmation of deregistration at the previous address and of the registration of the new address
	Proof of registration of a motor vehicle
	Receipt of toll sticker or vignette or other proof of payment
	Receipt of emission sticker or other proof of payment
Retiring	Confirmation of the receipt of the claim or decision regarding the claim for a pension or pre-retirement benefits
	Statement of personal pension data
Starting, running and closing a business	Confirmation of the receipt of notification or change, or of the request for permission for business activity
	Confirmation of registration or social security registration number
	Confirmation of registration or social security registration number
	Confirmation of the receipt of the declaration
	Confirmation of the receipt of the notification
	Receipt or other form of confirmation of payment of social contributions for employees

Source: ANNEX II (Procedures referred to in Article 6(1) of Regulation (EU) 2018/1724 of the European Parliament and of the Council of 2 October 2018 establishing a single digital gateway to provide access to information, to procedures and to assistance and problem-solving services and amending Regulation (EU) No 1024/2012 (Text with EEA relevance).

Case study 2: The Netherlands: E-government and compensation for non-onliners

The portal can be accessed from any browser or directly via a mobile app as shown here on the left. Users can access their personal inbox directly in the app, forward emails to their other email addresses or indicate for other government entities that they want to receive as well electronic messages instead of traditional hardcopy mail. Examples are a reminder that your passport is about to expire or that your vehicle needs to be inspected.

As of April 2019, there are 13.5 million companies and citizens, having a DigiD, which is 95 % of the total Dutch population older than 14 years[51]. In April 2019, almost 60 % of these subscribers were actively using the portal and received a total of 4.7 million messages from government entities. The DigiD app was downloaded 1.6 million times in that same month.

The advantages of this portal are clear; there is a driver for the government to save costs by avoiding paper streams and citizens are ‘empowered' by being able to directly view their own data and to communicate directly with the concerned government entities. However, there are still people in the country who do not have computer skills or access to internet. Although decreasing, they still account for 6 % in 2015 to 3.5 % in 2018 of the population above 12 years. Especially people older than 75 years are overrepresented in this non-connected group (26 %)[52].

For one government entity the use of the portal is not optional; 1 November 2015, a special law came into force (Wet Elektronisch Berichtenverkeer Belastingdienst), which ordered that the personal message box of MijnOverheid is the obliged communication channel between tax authorities and Dutch citizens and companies[53]. The tax authorities initially did not foresee exceptions on this rule but foresaw extended support via its own (and new) helpdesks, from family and friends and social service providers. However, the resistance was larger than expected; within two months after the law came into effect, the national ombudsman received more than 3500 complaints and the help desk received many emotional calls from people, who did not know what to do[54]. In addition, it was observed that this group gave their DigiD to other people instead of formally authorizing them which implied a security risk.

Mid-November 2015, an ‘exception rule' was approved; people who did not have a PC and could not get help from their direct surrounding could be temporarily excepted from the obliged digital communication via the personal message box of the government portal and were sent a paper copy of their tax files. Around January 2016, 26.000 citizens were exempted. In March 2016, the tax authorities decided that this temporary exception remains available for those who need it. The tax authorities also coordinated extensively with social service providers on how to support those without PC (skills) or supporting family and friends. Elderly unions started offering services to their members to check their digital mailbox. Furthermore, public libraries offered their PC's and printers to be used as well as courses to learn digital skills. In a number of libraries, there were even people available to support people with filling in their tax files.

51 See Central Bureau for Statistics, https://opendata.cbs.nl/statline/#/CBS/nl/dataset/37620/table?ts=1559569009844
52 CBS, 2018 data, https://opendata.cbs.nl/statline/#/CBS/nl/dataset/83429NED/table?dl=91F4
53 Wet elektronisch berichtenverkeer Belastingdienst, see https://wetten.overheid.nl/BWBR0037120/2015-11-01/#ArtikelX
54 See https://www.nationaleombudsman.nl/nieuws/onderzoeken/2016030-het-verdwijnen-van-de-blauwe-envelop

Responsible parties for the portal ‘MijnOverheid’ are the Ministry of economic affairs and climate and IT company Logius (which is owned by the Ministry of Binnenlandse Zaken en Koningsrelaties). Until 2016, all costs were covered by the Dutch Government. In 2017, the responsible ministers decided that, as of 1 January 2018, all costs of management and exploration of DigiD and the portal ‚MijnOverheid’ are forwarded to the entities communicating with Dutch citizens and companies[55]. In 2018, for authentication of a user via the DigiD EUR 0,121 was requested from its customers (i.e. government authorities or businesses offering their services via the platform) and for a successful message via the portal its customers pay EUR 0.454 excluding VAT. In 2019, prices decreased slightly to EUR 0.117 per authenticated login and EUR 0.44 per message excluding VAT.

Source: WIK research.

55 See https://www.logius.nl/onze-organisatie/zakendoen-met-logius/doorbelasting

Case study 3: E-government in Denmark
In Denmark, transition to e-government and the use of digital solutions is almost ubiquitous. Consequently, Denmark is not only an example for a country with the highest letter volume decline in the EU-28 (-15 per cent annual change in 2013-2016) but also a country with a broadband infrastructure and people and businesses with high digital skills and willingness to invest in devices, and a country which has long ago implemented the necessary regulatory framework to ensure the same legal effectiveness of digital communication. The core of the Danish e-government and other related services is a secure internet platform providing a centralised electronic mailbox system for everyone. E-Boks is the brand for the electronic mail"boks" service provided for the Danish civil authorities, utilities, and other services like insurance companies and banks. For example, people apply for identity cards, check their waste fees, get information about mandatory health check-ups for their children, and use their bank account. e-Boks is the only service provider of its kind and enjoys a high level of trust among the population and businesses as regular surveys show. There is no comparable alternative provider although few private companies like e.g. insurance companies try to build their own mail in-box systems accessible via their websites. e-Boks A/S is an independent limited company with 71 employees (2018) founded by Nets and PostNord in 2001. In 2009, the company won a tender by the Danish government. Since then, the company is the only provider for the government authorities' electronic mailbox system in Denmark. e-Boks A/S provides services not only in Denmark but also in Sweden, Norway, Greenland, and Ireland. A strategic aim is to grow from 16 million users in 2018 to 30 million in 2030 and from processing 485 million digital documents annually (2018) to 1.5 billion (2030). Almost all 5.8 million inhabitants of Denmark use e-Boks. Since November 2014, the system is mandatory for all inhabitants from the age of 15 but exemptions are made if people are not able to use it. Today, only an estimated share of up to 10 per cent (~400,000 to 500,000 people) still receive letters instead of using e-Boks. The system checks if an e-Boks for a user exists and if not the message is automatically printed and sent as a letter (hybrid mail solution). People who cannot or do not want to use e-Boks can apply for an exemption at their local mayor's office if they do not have access to a computer with sufficient internet access, if they have a physical/psychological handicap or speech impediment, if they have left Denmark, or if they cannot get a NemID. The service is free of charge for private users. It is financed by the governmental bodies who pay around 8 million euros to e-Boks per year. Senders pay a fee per message graded according to file size. Sending a document costs around 5 euro cents. The service includes an archiving system which is only accessible to the user or their proven heirs. All data in e-Boks is confidential and private property. There is neither advertising nor profiling of users. Security and compliance with legal conditions is ensured by ISO 27001 and regular audits. Data is hosted with data centre supplier KMD based on Amazon's AWS hybrid cloud solution (software-as-a-service solution). Senders receive a confirmation of receipt by default. Authentication and identification can be realised by eIDAS compatible eID components based on EU Regulation 910/2014 of 23 July 2014 on electronic identification. Examples are NemID (DK) or MyGovID (IE). e-Boks users have to obtain a NemID. They can apply with their Civil Registration System number and valid ID (driving license or passport) at e.g. their bank to register and log into the system. Then, they get an user ID, a password and a code card with one-time passwords. Biometric identification is possible, e.g. face recognition. Services can be accessed via smart phone app or other computers. The image-oriented user guidance is designed to facilitate intuitive use. Apparently, formal consumer complaints are not a big issue, although frequency of letter delivery within the USO is reduced to alternate day delivery. A D+1 letter service is available but outside the scope of the USO. For 2016, the NRA reported 180 complaints and the USP (PostNord DK) reported 11,892 (Main Developments 2013-2016). Consumer body representatives in Denmark emphasise the need for a reliable letter mail service for non-users of e-Boks, especially when the communication is health related, i.e. with doctors, hospitals, insurance companies.

Source: WIK-Consult research based on eBoks. UN Global Compact Communication on Progress 2018; WIK-Diskussionsbeitrag Nr. 436, 2018, Digitalisierung und Briefsubstitution: Erfahrungen in Europa und Schlussfolgerungen für Deutschland (Petra Junk), expert interviews, Panel discussion 2nd Public Stakeholder Workshop, 4th June 2019, Brussels.

Research question 1:	**What is the role of governments and public owned utilities in different MSs as customers in driving demand?**

Governments and publicly owned utilities are following the trend of digitisation for various reasons. Saving shipment costs is only one among others. More efficient internal processes, easier access to data, more opportunities for data analysis, remote access for customers via website access, improved customer services and dashboards to control and regulate your own energy consumption become vital distinctive features. Therefore, the importance of these senders for driving demand in the field of digitised process innovation will increase more and more.

E-energy initiatives and smart meters already had an impact on how customers are approached by utility companies. E-government initiatives like the Digital Single Gateway will push digital solutions for individuals and businesses and especially businesses will embrace the opportunity to facilitate administration contacts. All in all, we see the role of both governments and public owned utilities as important drivers towards substantial letter substitution. There are no statistics or valid forecasts of the Gov2X letter segment share in the EU but it is roughly estimated that about one-third of all transaction mail is from public authority senders. The reduction or even disappearance of Gov2X letters like for example in DK and EE shows how businesses and citizens get accustomed to this new easy-to-use and time-saving solutions within a timeframe of less than ten years.

2.4.5 Increasing share of e-commerce

The increasing share of consumers purchasing online, more frequent online purchases, and the expansion of online purchases to new product categories, like groceries and furniture, triggers the growth of e-commerce in all EU Member States. According to the recent WIK Cross-border E-commerce through Parcel Delivery study (2019), online sales for goods and services have increased annually by 14 % on average (2013-2017). Since 2013, the share of online shoppers purchasing across borders has gone up by ten percentage points to 42 % in 2017. Stakeholders expect further significant growth in the foreseeable future. A third of online shoppers purchased cross-border from e-retailers of other EU Member States (up from a quarter in 2013). In particular, online shoppers living in small Member States, like Malta, Luxembourg, and Cyprus, or in Member States with relatively small retail markets, like Finland, Ireland, and Portugal, heavily rely on cross-border shopping with shares around 60 % and higher. In addition, there is a high share of consumers buying abroad in Member States that share a language with a larger neighbouring country (e.g. Austria and Belgium).

More and more enterprises sell cross-border (44 % of enterprises with web sales and at least 10 employees) and this number is steadily increasing.

There is much variation in the state of e-commerce and delivery markets among Member States. Shares are significantly higher in the Northern and Western EU Member States compared to most Eastern and Southern EU Member States depending on technical barriers (broadband access) and lower levels of internet usage.

The development of e-commerce and its expected significant growth in future have an impact on competition in (cross-border) B2C delivery services. As the WIK study points out[56]

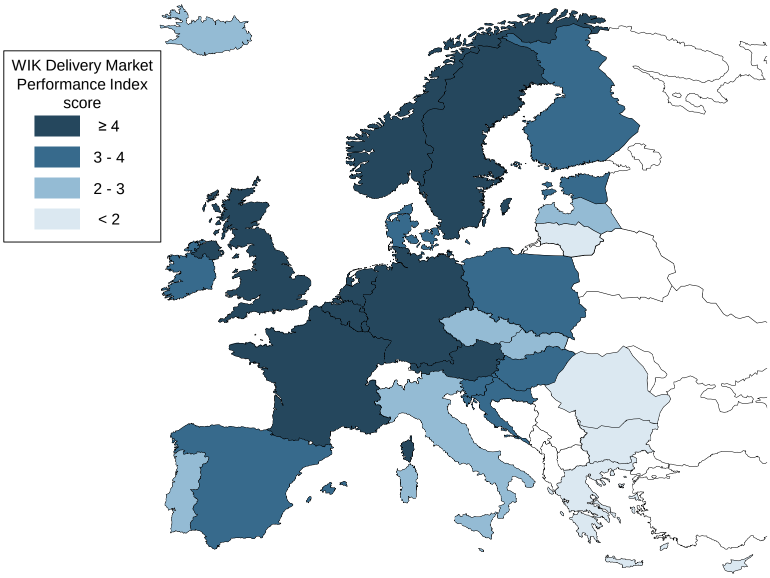
- Intra-EU cross-border B2C delivery services have become manifold as international integrators like UPS and DHL Express successfully target e-retailers.
- Road-based B2B parcel networks like DPD and GLS have been expanding into domestic and cross-border B2C e-commerce deliveries.
- Dedicated European B2C parcel networks have emerged (e.g. DHL Parcel, Hermes Europe).
- Industry initiative IPC Interconnect launched a technical platform to offer more convenient and well-traceable e-retailer and consumer-oriented cross-border parcel delivery and return services.
- Local operators have been expanding their activities to neighbouring countries.
- Finally, new players have entered the delivery market, notably e-commerce platforms like Amazon.

The WIK Delivery Market Performance Index in 2018 provided a ranking of the national delivery markets in 30 countries (see Figure 45). The overall score, as well as the rating for every single criterion, reflect the performance of one Member State relative to the other Member States on a scale from one (lowest performance) to five (highest performance).[57]

56 See WIK (2019), Development of Cross-border E-commerce through Parcel Delivery, p. 289ff.

57 The ratings reflect the relative performance in a country compared to the performance in other Member States (EU-28, Iceland and Norway). To ensure this, the assessment is based on a comparative analysis. The ranking of quantitative indicators, for example, is based on the value of one country's indicator in relation to the values achieved by other countries, i.e. the value is set into relation either to the maximum value achieved or to different quantiles. The score for the indicators and each criterion was carefully reviewed regarding the relative performance. For this purpose, the rating of each country was compared to the rating of countries with the same rating as well as with the rating of countries which are considered to be in similar states of development regarding the relevant aspect.

Figure 45 WIK Delivery Performance Index: Total index score by country



Source: WIK-Consult.

The study concluded that delivery markets in the Western and the Northern EU Member States perform relatively better than the delivery markets in the Southern and Eastern EU Member States. As regards competition, NL, BE, DE, UK, and AT reach the highest score within the index (5), competition in BG, CY, EL, and RO is rated lowest (1).

The WIK study (2019) also comprises the main trends of user behaviour and needs in online shopping:

- The share of internet users and online shoppers is continuously growing: In Europe, around half of consumers have purchased at least one physical item online in 2017 and the trends are expected to continue. However, there exists a substantial share of consumers who are not online shoppers for various reasons (mainly security issues).
- The majority of consumers purchase online either domestically, in large e-commerce markets or in neighbouring countries. The majority of consumers in Member States with large national e-commerce ecosystems prefer to purchase items from domestic e-retailers either because of trust in domestic shops or because it is more convenient. Nevertheless, Chinese e-retailers play an important role. Around 38 % of cross-border online purchasers are registered with Chinese websites according to the WIK consumer survey.
- Consumers perceive domestic and intra-EU delivery quality as fairly similar, but the quality of delivery from the rest of the world is much lower. Perceived service quality from extra-EU online purchases, i.e. most likely purchases from China, score lower than domestic purchases in almost all Member States.

- Consumers are happy with the information provided by e-retailers on delivery cost and arrangements for intra-EU online purchases. The more information provided by e-retailers prior to purchase, the more consumers are willing to trust online shopping.
- Delivery time options and management of returns are matters of major concern in nearly all Member States. Options for different delivery windows and management of returns remain below consumers' expectations for almost all Member States.

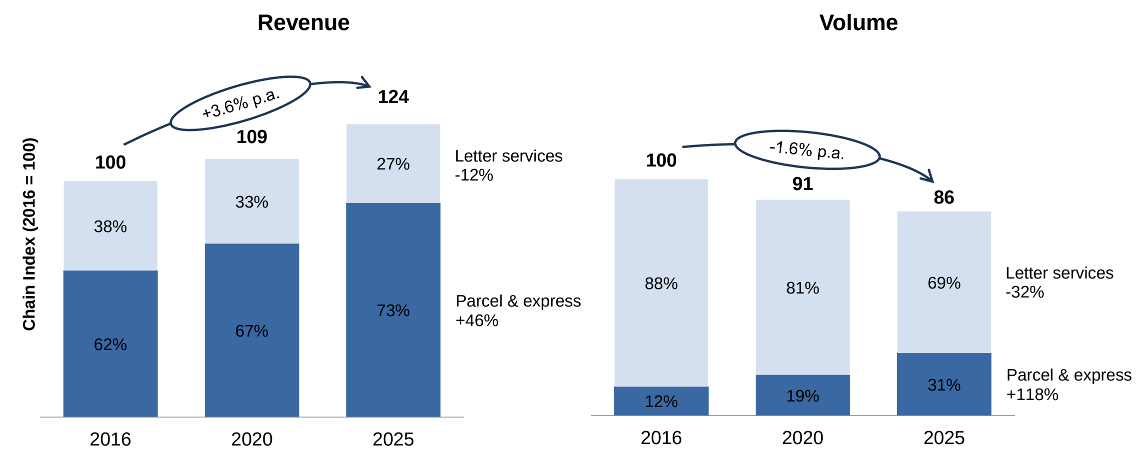
Summary and conclusions

The growth of e-commerce can be observed worldwide and in all EU Member States and further significant growth is expected in the foreseeable future not only domestically but also for cross-border trade. This brings new business opportunities for e-retailers and parcel carriers alike. Increasing competition, high overall delivery standards, more receiver-oriented service offers and a growing community of internet users and potential online-shoppers in all age groups are visible outcomes. This trend is expected to last for the forthcoming decade at least.

2.5 Future expectations

The major two developments in the postal market will continue: the developments in e-commerce will further contribute to the growth in the parcel segment and the letter segment will continue to shrink due to digitisation. If the developments of the recent years continue to the same extent, the letter segment will lose around 12 per cent of revenue and 32 per cent in volume by 2025. At the same time, the revenue in the parcel segment will more than double and volumes will increase by around 46 per cent. As a consequence, parcels will represent roughly one third (31 per cent) of all postal items and nearly three quarter (73 per cent) of total revenue of postal markets in the EEA Member States and Switzerland (see Figure 46).

Figure 46 Expected volume and revenue development in the postal market (2016-2025)



Source: WIK-Consult based on WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW; Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW.

Note: Trend extrapolation; includes all EEA countries and CH.

However, these two general trends developments will take different dimensions in the postal markets throughout Europe as the states of the markets vary widely across the countries. The letter volume decline in the above forecast represents a scenario with constant (negative) growth rates while in reality growth rates will change over time.

There is wide heterogeneity in the developments between postal markets in different countries and regions regarding the speed and expected developments of volume decline. In the UK, for example, it is expected that the speed of letter volume decline will decrease over time from annually 4 to 6 per cent between 2020 and 2024 to annually 3 to 5 per cent in the period 2024 to 2028.[58] In other Member States, for example Sweden, volume letter decline is expected to accelerate during the next years.[59] Additionally, there are significant differences between and within the regions in Europe regarding the usage of postal services as indicated by the volumes per capita. Today's demand for physical communication is still high and the letter volume per capita in Western Europe (191 items per capita in 2016) is nearly four times the volume in Southern Europe (52 items per capita) and more than six times the volume in Eastern Europe (34 items per capita). But also within the regions, there are significant differences. For example, the volume in Sweden (231 items per capita) was far above the average of Northern Europe (168 items per capita) and in Denmark

58 See Strategy& (2019), The outlook for UK letter volumes to 2028, Study for Royal Mail, p. 7.
59 See PTS (2019), The Swedish Postal Market 2019, p. 12.

(66 items per capita) it was far below.[60] These country-specific and regional differences are expected to remain in future, and volume decline will most probably level out at different volumes throughout Europe.

Demand for postal services is determined by a variety of different drivers, including fundamental drivers such as economic growth or digital capabilities as well as strategic drivers such as digitisation strategies of business customers or e-government initiatives. Drivers from both categories can accelerate or slow down the speed of volume decline and there will be differences subject to the country characteristics as well as to expected measures such as, for example, e-government initiatives.[61]

Letter post consists of different types of mailings and demand drivers will affect them differently. Letters are further segmented into correspondence and direct mail. Direct mail consists of addressed advertising mail (in contrast to unaddressed advertising which is not considered as part of letter post); correspondence includes consumer letters and cards, office mail, and transactional mail. Transactional mail comprises, for example, bank statements and invoices. Additionally, letter volumes include publications, i.e. newspapers, magazines and periodicals (delivered by a postal operator) as well as customer newsletters or sponsored magazines sent by large institutions and companies, for example as part of their customer care programme. Furthermore, there are fulfilment shipments in the letter stream, for example, small packages with e-commerce goods or tickets send by letter post.

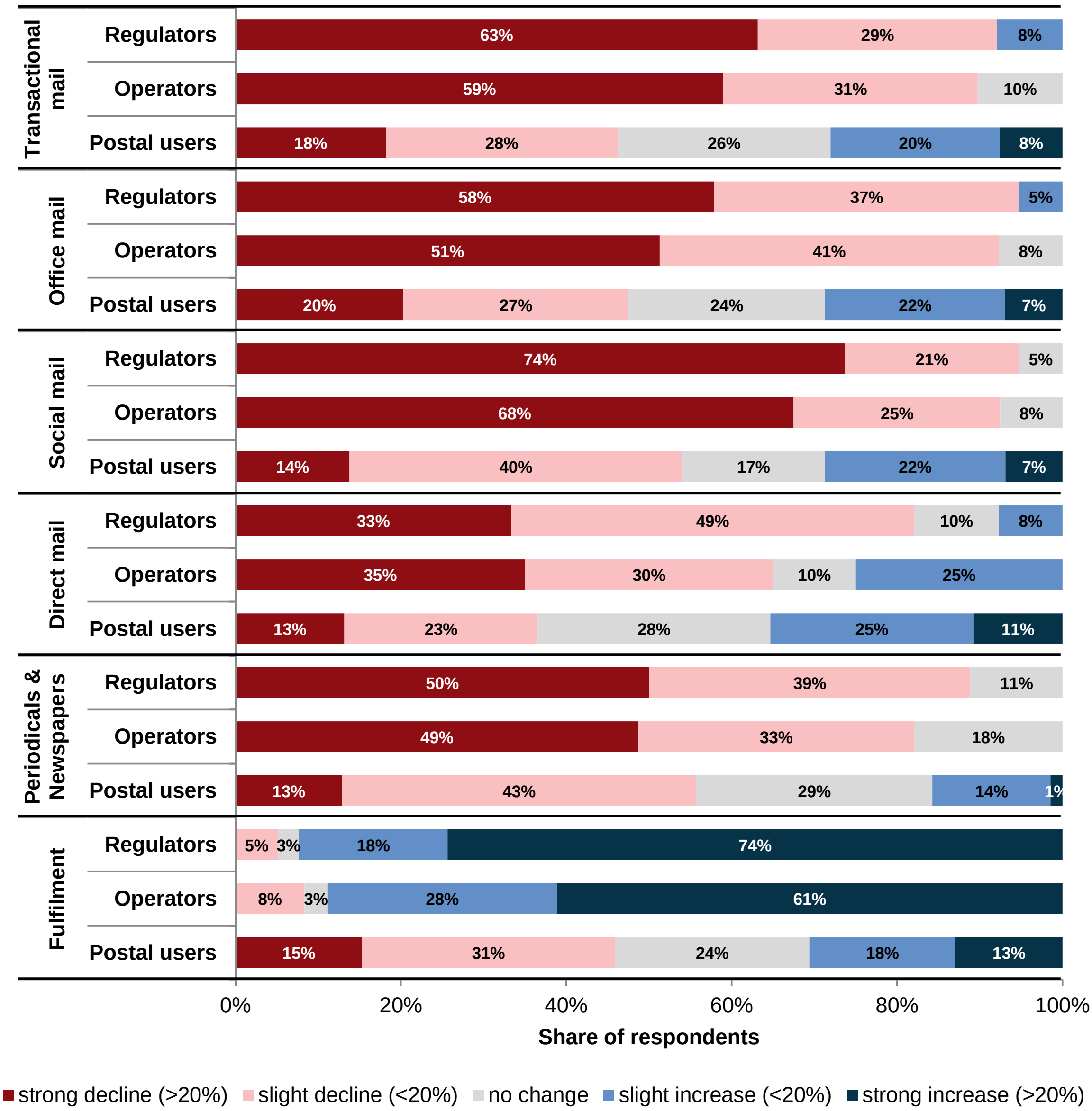
The results of the WIK Stakeholder online survey (see Figure 47 below) illustrate that the majority of stakeholders in the postal sector in Europe, i.e. regulators, operators and postal users, expect significant volume declines for all segments, except fulfilment. More than 60 per cent of respondents expect declining volumes of correspondence (i.e. transactional mail, office mail and social mail) and more than 30 per cent expect significant volume declines of more than 20 per cent during the next ten years.

For direct mail, the expected developments are similar but volumes are expected to decline at lower speed: while approximately 50 per cent of respondents await declining volumes, only 20 per cent await a volume loss of more than 20 per cent in the upcoming decade.

60 See Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW, Chapter 1.1.3.

61 See Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW, Chapter 1.1.3.

Figure 47 Stakeholders' expectations of letter volume development over the next 10 years

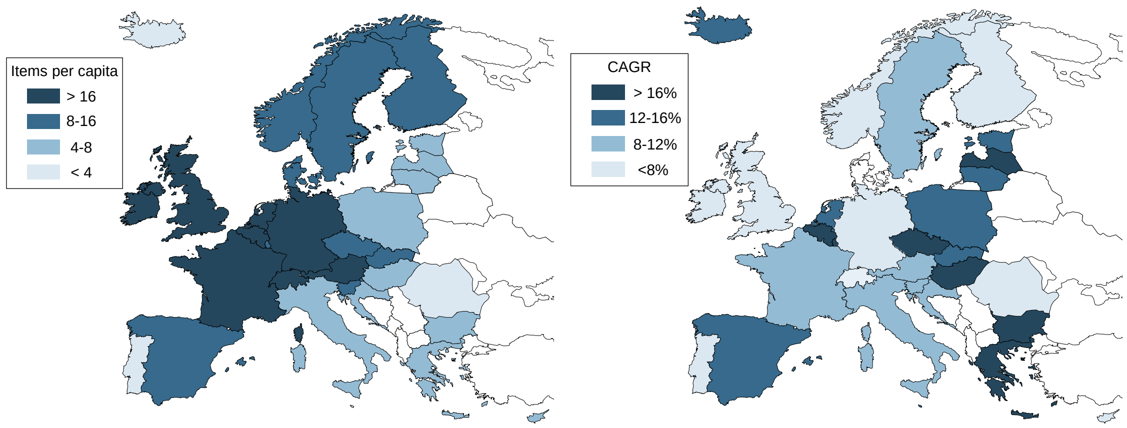


Source: WIK Stakeholder online survey 2019.

Note: Number of respondents: 44 regulators (including national regulatory authorities, competition authorities and ministries responsible for postal regulation), 44 operators (including universal service providers, competitors and supplier of postal technology), and 331 postal users (including consumer, business and e-commerce associations as well as public institutions and authorities). Question: In your opinion, how much do you expect postal volumes for each of the following mail categories to change in the future (in 5-10 years)?

The volumes of newspapers and publications in the letter mail stream are also expected to decrease significantly and more than 70 per cent of all respondents expect volume to decrease by more than 20 per cent in the next ten years. Generally, postal users seem to be more optimistic about the magnitude of letter volume decline in the next ten years than regulators and operators. Conversely, they seem to be more pessimistic when it comes to fulfilment shipments in the letter stream. While 92 per cent of the regulators and 89 per cent of the operators expect that more e-commerce goods will be sent as letters in the future, but only 31 per cent of postal users share such opinion. However, small packets and fulfilment shipments only represent a minor share of total letter volume. Copenhagen Economics reported that small packets comprised a constant share of 1.6 per cent of total domestic letter volume between 2013 and 2016.[62] There are indications and expectations of other stakeholders, for example UPU[63], that volume of fulfilment shipment will significantly grow in the next years. However, this will only slow down the overall letter volume decline.

Figure 48 Volume and volume developments in the European parcel markets



Source: WIK research.

Note: AT, BE, BG, CH, CY, DE, EE, EL, ES, FI, FR, HR, HU, IS, IT, LT, LV, MT; NL, PL, PT, SE, SK, UK (CAGR 2013-2017); SI (CAGR 2013-2016); CZ, IE (CAGR 2013-2015); RO (CAGR 2014-2017); LU (CAGR 2016-2017); NO (CAGR 2016-2017).

Quite a different picture is drawn when it comes to the parcel segment of the postal market. The overall parcel and express market is expected to grow by around 4 per cent p.a. by 2020 driven by the growth in e-commerce and in the B2C segment.[64] French Geopost estimates that the number of B2C items will nearly triple to 12-14 billion items by 2025 (compared to 5 billion items in 2016).[65] The parcel and express segments throughout Europe are currently characterised by continuous growth and by a significant and increasing number of competing carriers[66], leading to

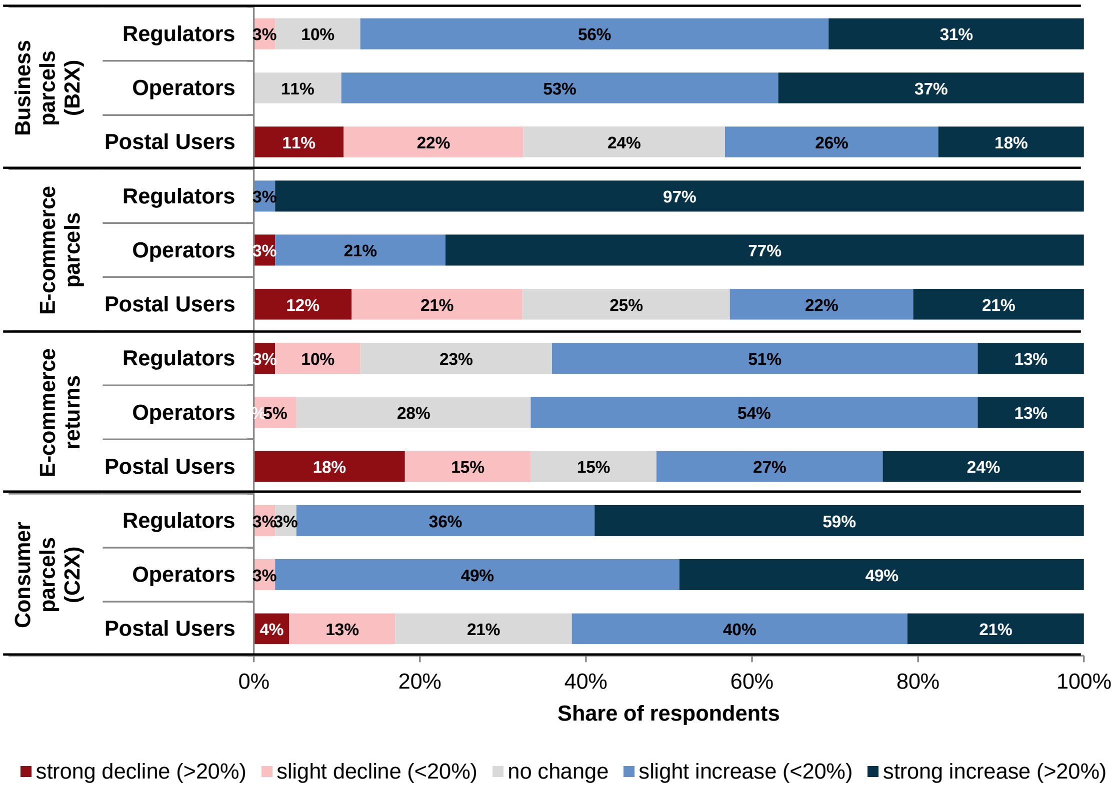
62 See Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW.
63 See UPU (2016), Research on Postal Markets, Trends and Drivers for International Letter Mail, Parcels and Express Mail Services.
64 See Apex Insight (2018), European Parcels, Market Insight Report 2018.
65 See La Poste (2018), Registration Document 2017, p. 37.
66 See Copenhagen Economics (2018), Main Developments in the Postal Market (2013-2016), Study for the European Commission, DG GROW, Chapter 2.1.2.

increasing competition and expanding market offerings. However, the state of the parcel and express markets is rather heterogeneous at regional and country level.

In Western and Northern EU Member States, there is a longstanding tradition in distance selling. These countries have well-developed distance selling businesses and domestic B2C delivery services have been successfully established not only by the national postal operators but also delivery companies founded by large mail-order companies (e.g. in France, the UK, or in Germany). As a consequence, the parcel markets in these countries are well-developed and growth rates were lower in the past years. In the Southern and many Eastern EU Member States, a similar mail-order industry had not emerged in the past. With the rise of e-commerce during the last decade, the national postal operators started much later adapting and improving their delivery services to fit the service requirements of e-retailers and online shoppers. This allowed local, more commercially-minded parcel and express carriers to successfully expand their operations from B2B to the B2C delivery services and to establish themselves as local parcel and express carriers.[67] In recent years, the parcel markets in these countries have been developing well and at higher growth rates given the scope for improvements in delivery services (see Figure 48). Overall, the parcel segment is expected to grow further but growth rates will most probably be higher in less developed markets in Southern and Eastern Europe and lower in the more mature markets in Northern and Western Europe.

67 See WIK-Consult based on WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Study for the European Commission, DG GROW, Chapter 3.

Figure 49 Stakeholders' expectations of parcel volume development in the next 5-10 years



Source: WIK Stakeholder online survey 2019.

Note: Number of respondents: 44 regulators (including national regulatory authorities, competition authorities and ministries responsible for postal regulation), 44 operators (including universal service providers, competitors and supplier of postal technology), and 331 postal users (including consumer, business and e-commerce associations as well as public institutions and authorities). Question: In your opinion, how much do you expect postal volumes for each of the following mail categories to change in the future (in 5-10 years)?

The expectation of further growth in the European parcel markets fuelled by e-commerce is also mirrored by the results of the WIK Stakeholder online survey (see Figure 49). Again, postal users' expectations seem to be systematically different from regulators' and operators' expectations. Nevertheless, there is a wide consensus that parcel volumes will increase significantly during the next five to ten years. Around two-thirds of all respondents expect growth in business parcels (B2X). Significant growth is expected by 31 per cent of the regulatory authorities and 37 per cent of the operators but only by 18 per cent of the postal users. The majority of regulators (56 per cent) and operators (52 per cent) awaits moderate growth in this sub-segment of the parcel market. The growth in business parcels is unambiguously driven by e-commerce parcels: 97 per cent of the regulators and 77 per cent of the operators expect that the volumes of these items will increase by more than 20 per cent in the next decade. In contrast, the expectations regarding the volumes of e-commerce returns are diverse.

The majority of regulators (51 per cent) and operators (53 per cent) as well as roughly a quarter of postal users (27 per cent) await at least moderate volume increases in returns. However, there is also a significant share of respondents that expect no changes or even declining return volumes. Another growth driver for total parcel volume is expected in the consumer parcel segment. The vast majority of regulators and operators and the majority of postal users expect moderate to strong increases in C2X parcel volumes.

Summary and conclusions

In the next 5-10 years, the two prevailing trends in the postal market will persist: e-commerce will trigger growth in the parcel segment and the letter segment will continue to shrink due to adoption of digital solutions by governments, businesses, and citizens. However, at what speed and to which extent the letter segment will lose importance and if and when other Member States will follow the example of frontrunners like DK and EE remains unclear. Clearly though, regulators and operators expect a much stronger decline in all letter segments than postal users, and that all groups agree on e-commerce growth and the strong increase of parcel volumes.

2.6 Key findings: Development of EU postal markets reflect postal users' preferences for paperless communication and convenient 24/7 online shopping

Recent statistics and economic analysis show how postal services have lost their dominant function for enabling communication in society and the economy. As services of general economic interest, postal services had played a central role in an effective and dynamic single European market for the last decades. Today, and undoubtedly even more in the next 5-10 years, digital applications assume this vital role.

Digitisation has led to dramatic changes in recent years in the European postal markets. Physical letters and advertisements and catalogues are being systematically substituted. By contrast, parcel delivery services are growing driven by national and cross-border e-commerce.

In 2016, the size of the postal market, including express services, amounted to a total EUR 90 billion in the EEA & Switzerland. On average, the revenue of the letter segment decreased by around 1.5 per cent p.a. between 2013 and 2016 while the revenue in the parcel and express segment increased by around 5.3 per cent per annum. Letter volume declined on average by 4.2 per cent p.a. while parcel and express volumes increased by 9 per cent p.a.

The shrinking of the letter segment and the dynamic growth of the parcel segment vary greatly across countries. The compound annual growth rates in the letter segment for the period 2013 to 2016 range from -15 per cent in Denmark to -0.2 per cent in Germany.

The parcel segments, in contrast, are growing dynamically in all countries but growth rates are generally higher in less developed e-commerce markets (Bulgaria, Czech Republic, Greece, and Hungary) and lower in the more mature markets (Switzerland).

The sizes of postal markets vary largely across the countries. In 2018, the number of letters per capita ranges from only 6 items in Bulgaria up to 384 items in Switzerland with an overall average of 143 items per capita (for all countries reported by the ERGP core indicators report of December 2019). We can assume that countries with low letters per capita will be leapfrogging the state of letter-based communications and jump to digital substitutes as soon as economic and social developments require.

In the same year, 14 parcels per capita were delivered on average with a range of only 2 parcels in Bulgaria up to 40 parcels in Germany. Market development figures and the recent WIK consumer survey 2018 on e-commerce show how e-commerce has become popular in all countries and how companies and internet users embrace new retail opportunities. This trend will certainly continue within the next 5-10 years along with the overall economic development. Senders and receivers seem to not have any fundamental objections to e-commerce implementation and use, and carriers make every effort to support this trend by improving e-commerce services.

Postal operators respond to the continuing decline in letter volumes with different measures. Many postal operators increased the prices for their letter services: The average price for first service class single-piece letters up to 20g increased from 0.60 EUR to 0.95 EUR between 2013 and 2019, i.e. by 17 per cent p.a. Large differences are observed with notable price increases in Denmark and Italy while tariffs remained stable in only seven countries (Bulgaria, Croatia, Lithuania, Liechtenstein, Latvia, Malta and in Switzerland).

At the same time, senders could criticise the quality of service in terms of the share of domestic on-time deliveries of letters as this decreased in most countries. On average, 88.2 per cent of domestic priority letters were delivered the next working day in 2013 and 86.2 per cent in 2017. Cross-border letters delivery performance reached an all-time low since the start of measurement in 1997. In 2013, 92.5 per cent of items were delivered within three working days but only 82.3 per cent in 2016 and 79.5 per cent in 2017.

The decline in letter volumes also affects competition in many of the surveyed countries. As a result of the shrinking market, operators are shifting their focus to other segments. In this context, hybrid mail solutions can generally be considered as a bridging technology from physical to digital, but our research does not show a high awareness for hybrid mail among postal users.

The results from the research of EU postal markets reveal common overall trends but also large differences among Member States. Regulators and postal operators react with different strategies to the changing postal market and the requirement to mitigate the problems of (in some countries dramatic) letter decrease.

Main drivers for changing communication preferences of business and private users and assumptions in relation to the development of digitisation show variations among Member States, rural and urban regions, and different user groups.

Ubiquitous internet access still cannot be taken for granted. 87 % of households had internet access in 2018. On average, approximately 97 % of these households have access to broadband (but did not necessarily subscribe). There are still white spots, not only in rural and remote areas but sometimes in inner-city areas. On average, only 85 % of rural households have access to the internet compared to 90 % of urban households in 2018. The number of individuals that never used the internet clearly declines. On average, 12 % of individuals in the EU in 2018 have still never used the internet. This proportion of individuals is largest among elderly people and in countries like Bulgaria (27 % of the population never used the internet) and in Greece, Portugal, Romania, and Croatia (more than 20 %). According to the most recent Eurostat statistics analysis,[68] age is an important factor determining differences in the use of the internet but there are also factors like skills, low income and living in rural areas.[69]

There are only 3 % of businesses in the EU without internet connection (Eurostat 2017) and thus in principle businesses are ready for digital communication and e-substitution. More and more businesses are digitising their internal processes but for some crucial purposes like billing and advertising, many still prefer using letters to enhance responsiveness. In 2018, on average, 21 % of companies (larger than 10 people) in the EU-28, had received their orders electronically and overall this had slightly increased since 2014 by 2 percentage points. In 2018, 25 % of enterprises generated invoices electronically. Especially small and medium-sized enterprises are more reliant on traditional communication.

Private users prefer digital communications in most social settings today. E-mail, social media, and messengers are successful even among groups of elderly users. Digital devices are seen as an enabler for convenient and fast communication. If private users have official business with utilities, insurance companies, or government authorities as well as with other businesses they often still use letters, at least for billing. “My domains” or virtual mailboxes for communication are becoming more and more common. Newspapers, magazines, and TV guides are being more and more successfully substituted by “freemium” information on websites.

68 See Digital economy & society in the EU, A browse through our online world in figures, 2018 edition.
69 For details of the socio-demographic profile of non-users refer to chapter 3.7.3.3 Lack of digital skills: 12 % of all individuals have never used the internet.

A “digital divide” is clearly visible in the availability of e-government services and the willingness of citizens to use these services. Over the last years, we have seen a growing use of e-government solutions by citizens and businesses but between the most advanced countries, like Estonia, and others there is a prominent difference in strategy, successful diffusion, and acceptance by citizens and businesses. B2C still is the most important letter mail volume share, followed by B2B, C2X, Gov2X.

In 2017, about 60 % of all individuals in Europe shopped online. The share of individuals buying online has been continually increasing across the EU (esp. in Czech Republic, Estonia, Slovakia and Spain. Letter products (incl. small packets below 2 kg) account for 80 % to 85 % of total B2C e-commerce deliveries (WIK estimate for 2016). One-third of the most recent cross-border purchases are from China (WIK consumer survey 2018).

Based on our research findings, if the developments of the recent years continue to the same extent, the letter segment will have lost around 12 per cent of revenue and 32 per cent in volume by 2025. The revenue in the parcel segment will more than double and volumes will increase by around 46 per cent.

As the states of the markets vary widely across Member States, the relevant question in this context is not whether letter volumes will decline in future but how fast and to which extent. Disruptive technologies, changes in legal requirements to use digital applications by default, or faster changing of user preferences may accelerate the overall trend.

One could assume that the types of mailings and demand drivers will affect letter volumes in a different way but the results of the WIK Stakeholder online survey indicate that the majority of stakeholders expect significant volume declines for all segments, except fulfilment. There is a wide consensus that parcel volumes will increase significantly during the next five to ten years, especially in business parcels (B2X).

3 Tomorrow's user needs

3.1 Determining future needs compared to current and future behaviour

To determine the future needs of postal users we conducted a comprehensive literature review on postal user needs studies in the EU Member States, including the results of the ERGP study on user needs[70] and analysed the results of the WIK Stakeholder online survey/postal users. During our in-depth stakeholder interviews we also gathered evidence for case studies about user needs.

Our guiding questions are:

- "Who will the users of postal services be?": Different user groups are, e.g. consumers as senders, consumers as receivers, small businesses, public authorities, utilities, etc.
- "For which purposes will they send and receive mail?": Different purpose are, e.g. interacting with businesses, manage customer relationships, social interaction, etc.
- "Which services will be needed?": Different types of mail used include, e.g. correspondence, letters containing goods, transaction mail, social mail, advertising, etc.

To focus on future users' behaviour, i.e. what the users really do in future, we have to consider the purposes for sending mail, the alternatives for letter post, and the rationale behind the choice for different means of communication. We have to ask

- "Who will the users of letter mail be?": Communication strategies of senders? Preferences of most receivers? Who are vulnerable users dependent on letter post?
- "For which purposes will private and business users send letters?": Basic social needs do not change: communicate, do transactions, advertise, etc. However, what will influence users' decisions to choose communication tools to fulfil their needs?
- "Which services will the users prefer?": Which features of services, e.g. real-time, seamless digital processes, reliability? Which are the unique features of letters?

What the users say today about their future needs and what they might really do in future might not be identical. We assume that a social desirability bias applies: postal service is perceived as a positive cultural tradition and should remain as it is and for

70 ERGP (2016), ERPG report Universal Services in light of changing postal end users' needs, ERGP (16) 36.

everyone, although the respondent himself might already use it less than he wants to admit and will probably reduce the frequency of sending letters according to the digitisation of this clients/partners of correspondence.

We will take the drivers of letter substitution and influences on response behaviour of postal users into account when we draw conclusions about today's and tomorrow's postal user needs, the current and future purposes for sending and receiving mail, and the overall observable changes in users' communication.

3.2 Usage of postal services

3.2.1 General trend of declining letters and increasing parcels indicates changing user needs

Market developments already show that the number of letter items are declining and the number of parcels are increasing in all Member States. The reviewed surveys underline this general trend: Consumers and SMEs send and receive less letter items than in the past. Younger people send and receive less letters than older citizens in many countries (e.g. in CH, NL, and the UK)[71]. The share of citizens not sending any postal items at all is sometimes relatively high. In Malta and Romania, around 40 % of the respondents state that they have not sent postal items in the last 12 months.[72]

In contrast, younger people usually send and receive more parcels than older people. This indicates the continuous penetration of digital communication channels and e-commerce that are more used by younger than older people. In Denmark, for example, even citizens older than 65 years send less letters.[73] The major purposes to send letters are for personal communication on special occasions (e.g. Christmas cards, birthday, baptisms or mourning cards) and for administrative / transactional purposes.

Small business users (SMEs) appear to rely more on postal services than consumers. Letter services are still important for this user group in many countries mainly for transaction and administrative purposes (less for advertising purposes). Particularly business users rely on registered letter services mainly for legal, administrative and business transactions (reminders) in some countries (BE, PL, and RO)[74]. In highly digitised countries (DK and NL), SMEs consider the use of letter services increasingly as time-consuming and burdensome.[75]

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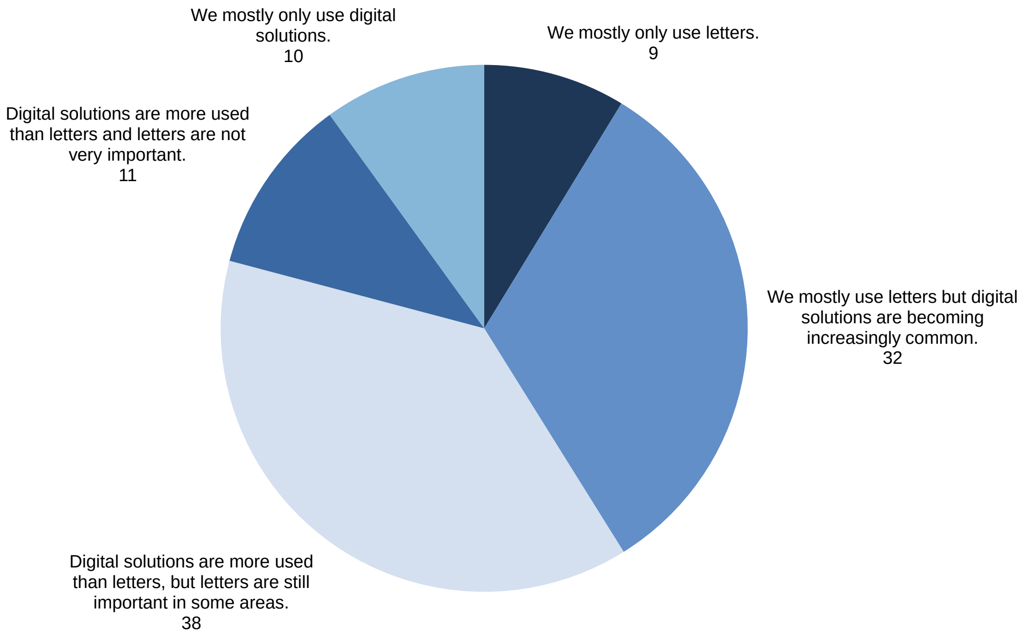
71 CH (2017), NL (2016), UK (2016b).
72 MT (2019) and RO (2015a).
73 DK (2014).
74 BE (2017b), PL (2014b), and RO (2015c).
75 See DK (2014) and NL (2016).

Figure 50 Importance of letters today (respondents in per cent)



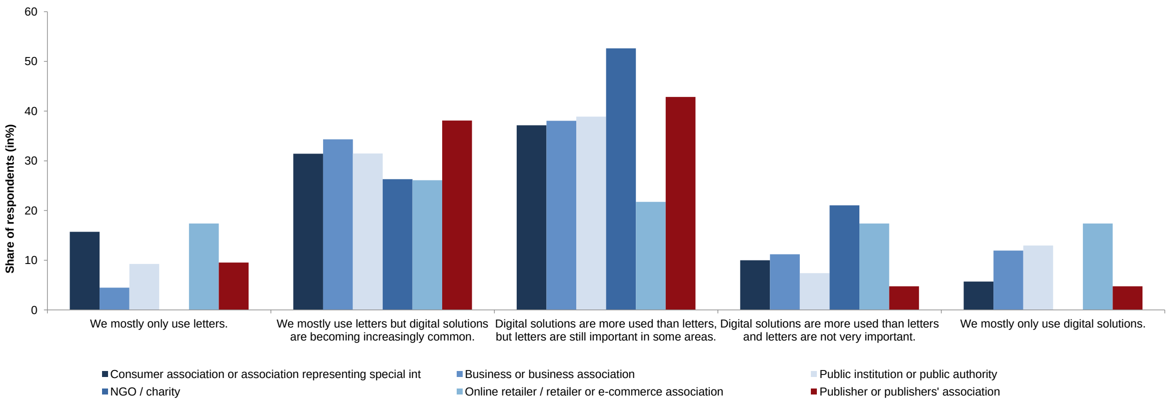
"Compared to digital solutions, how important are letters to you (or the user group you are representing)?", N=331

Source: WIK Stakeholder online survey 2019 / postal users

In our stakeholder online survey, the postal user respondents consisting mainly of business senders and consumer associations show a picture of declining importance of letter post. Only 9 % of respondents rely on letters only. 79 % of respondents still use mainly/mostly letters, or at least for specific purposes (see Figure 50). 32 % use mostly letters but will probably become more digital in future. 38 % depend on digital solutions but rely on letters for some purposes. More than 20 % either use more digital solutions than letters or almost only digital solutions.

The respondents who still see letters as indispensable gave examples for usage of postal services like distribution of Braille material and DAISY-CDs for blind and partially sighted citizens, distribution of paper flyers and brochures to local consumer advice centres and other stakeholders all over the country for some specific information campaign or event, or sending revised price lists, orders, confirmation of orders, invoices, etc.

Figure 51 Importance of letters today for different postal user groups (respondents in per cent)



"Compared to digital solutions, how important are letters to you (or the user group you are representing)?", N=331

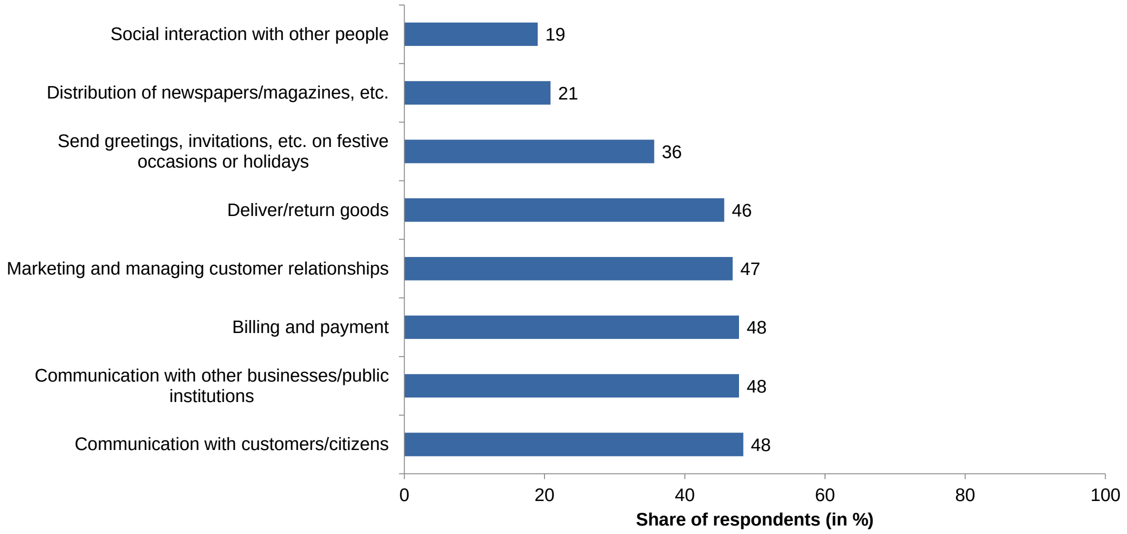
Source: WIK Stakeholder online survey 2019 / postal users

Comparing the different postal user stakeholder groups, we see that consumer associations and publishers are among the groups which mostly use letters. Business associations will mostly use digital solutions (see Figure 51). The group of online retailers is divided between users that prefer letters, probably for sending invoices, and users that mostly only use digital solutions. Public authorities show the same picture. This might reflect the differences between countries that are already largely digital and more traditional administrations.

3.2.2 Purposes for sending mail in 5-10 years: Letters remain important for businesses

In 5-10 years, letters will still be important for businesses but social interaction and private communication will become more and more digital, according to our survey results (see Figure 52). Nearly half of respondents assumed that business related communication will be a purpose they or the group they represent might use letters for (i.e. marketing/managing customer relationships, billing and payment, communication with other businesses/public institutions, communication with customers/citizens).

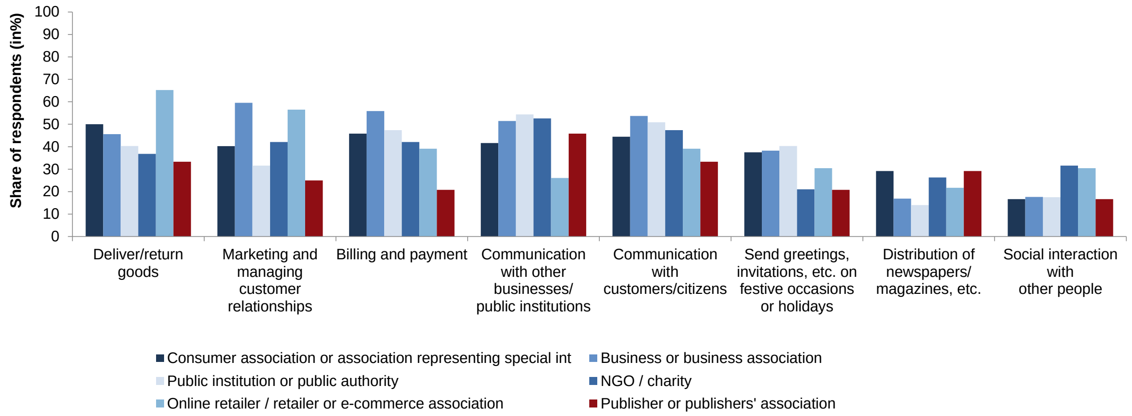
Figure 52 Purposes for sending or receiving mail in 5-10 years (groups of respondents in per cent)



"For which purposes do you expect you / your members will be sending or receiving mail in 5-10 years? Please select up to 5 purposes.", N=331

Source: WIK Stakeholder online survey 2019 / postal users

Figure 53 Purposes for sending or receiving mail in 5-10 years (groups of respondents in per cent)



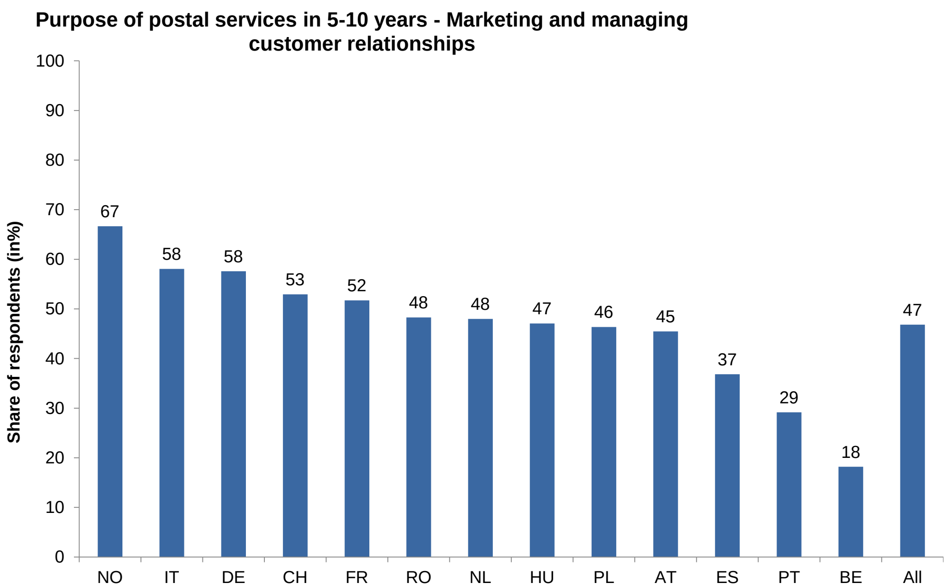
"For which purposes do you expect you / your members will be sending or receiving mail in 5-10 years? Please select up to 5 purposes.", N=331

Source: WIK Stakeholder online survey 2019 / postal users

When asked to select up to 5 purposes for which postal users will be sending or receiving mail in 5-10 years, businesses or business associations expect that all purposes for sending and receiving mail are still relevant, especially for marketing and managing customer relationships and also for communication with other businesses, public institutions, and their customers (see Figure 53). Distribution of newspapers and magazines as well as interaction with other people is rated lowest by the respondents. As would be expected, online retailer, retailers in general or e-commerce associations see the purpose of deliver/return goods as substantial, but expect also to use mail for marketing and managing customer relationships. Consumer associations assume that social interaction with other people will be of lower importance compared to greetings, invitations, etc.

Purposes for sending and receiving mail vary strongly among Member States. Although the results cannot be representative, the results seem plausible considering the adoption of digital solutions in the respective countries.

Figure 54 Purposes for sending or receiving mail in 5-10 years (groups of respondents in per cent according to Member States) – Marketing and managing customer relationships

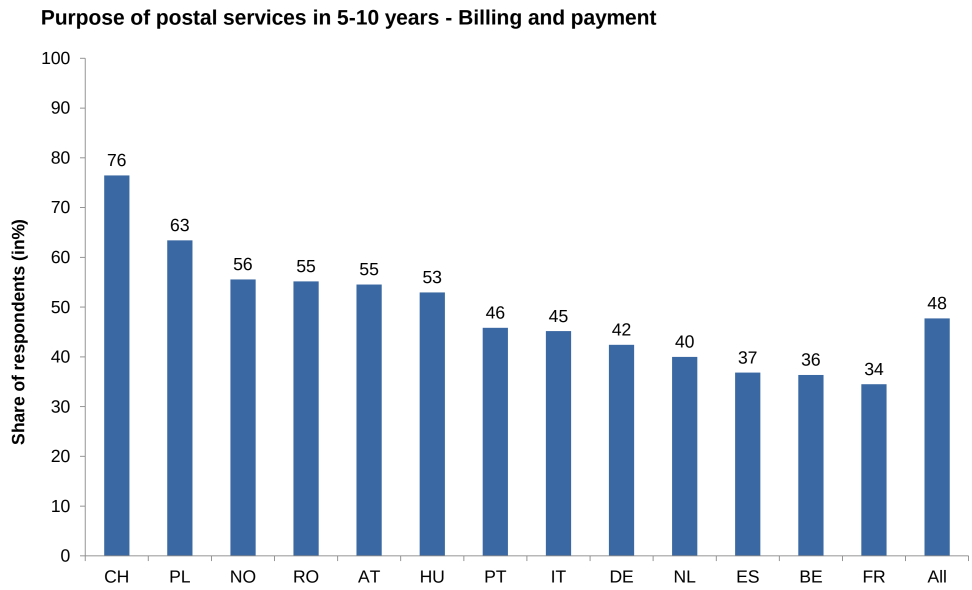


“For which purposes do you expect you / your members will be sending or receiving mail in 5-10 years? Please select up to 5 purposes.”, N=331

Source: WIK Stakeholder online survey 2019 / postal users

Marketing might still be more letter-based due to responsiveness (see Figure 54). Marketing and managing customer relationships, as well as billing and payment, are purposes that will be mostly used even in 5-10 years from the view of respondents, especially in countries with high mail volume today (e.g. CH).

Figure 55 Purposes for sending or receiving mail in 5-10 years (groups of respondents in per cent according to Member States) – Billing and payment



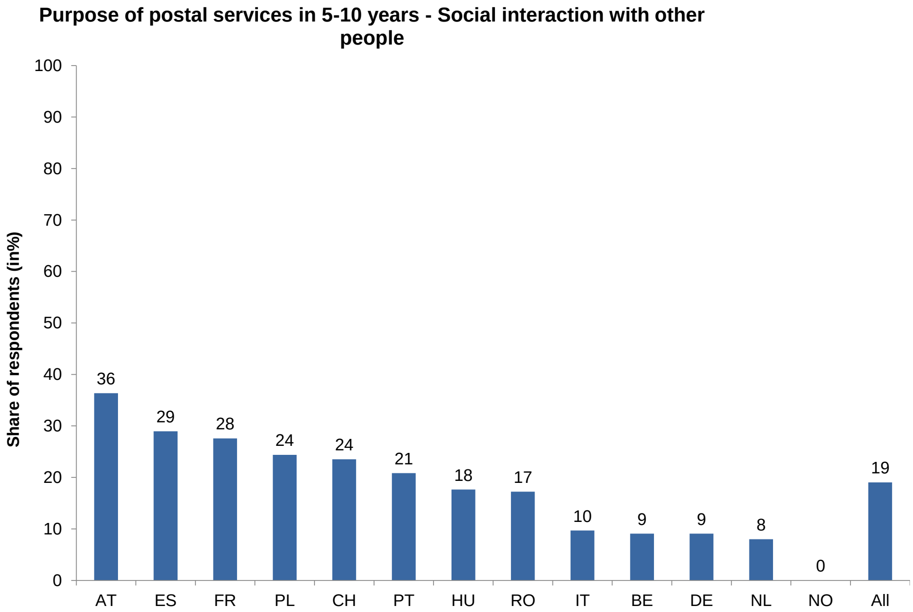
"For which purposes do you expect you / your members will be sending or receiving mail in 5-10 years? Please select up to 5 purposes.", N=331

Source: WIK Stakeholder online survey 2019 / postal users

In future, more than half of respondents in NO, IT, DE, CH, and FR expect letters to be used for marketing and managing customer relationships and also more than half of respondents in CH, PL, NO, RO, AT, and HU expect to use letters for billing and payment (see Figure 55).

Social interaction becomes more and more digital unless for special occasions. Only 19 % of all respondents think that the user group they belong to or represent will communicate with other people via letter mail compared to 36 % sending greetings, invitations or similar on festive occasions or holidays. Especially in IT, BE, DE, NL, and NO respondents are reserved about future use of letters for social interaction (10 % or less of respondents expect that letters will be used for this purpose), whereas respondents in AT, ES, FR, PL, CH, and PT anticipate more use of letters for social interaction.

Figure 56 Purposes for sending or receiving mail in 5-10 years (groups of respondents in per cent according to Member States) – Social interaction with other people

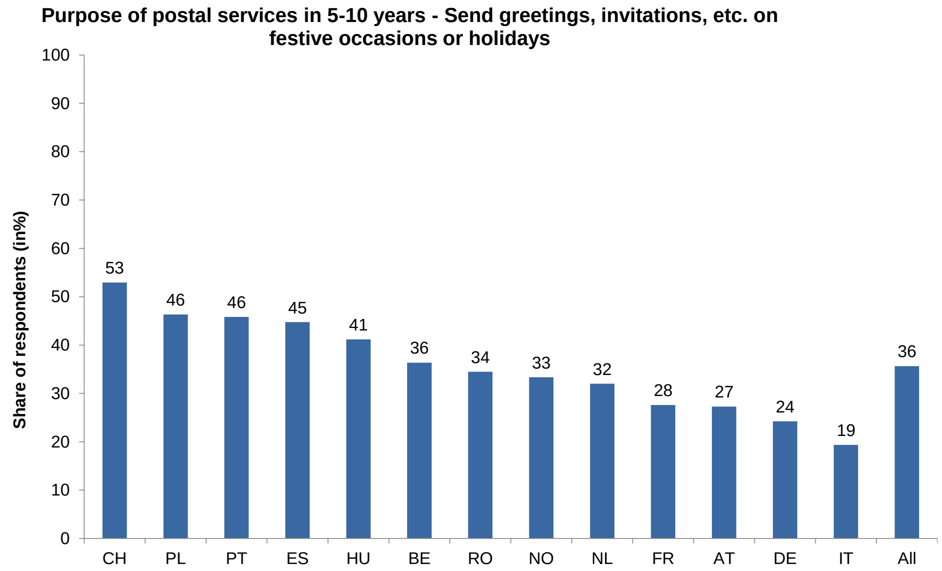


“For which purposes do you expect you / your members will be sending or receiving mail in 5-10 years? Please select up to 5 purposes.”, N=331

Source: WIK Stakeholder online survey 2019 / postal users

Sending greetings, invitations, etc. with a letter might be more popular in CH, PL, PT, ES, HU, and BE (>40 % of respondents expect that letters will be used for this purpose) than in FR, AT, DE, and IT (<30 % of respondents).

Figure 57 Purposes for sending or receiving mail in 5-10 years (groups of respondents in per cent according to Member States) – Send greetings, invitations, etc. on festive occasions or holidays



"For which purposes do you expect you / your members will be sending or receiving mail in 5-10 years? Please select up to 5 purposes.", N=331

Source: WIK Stakeholder online survey 2019 / postal users

Case study 4: Future demand of Christmas cards, birthday letters, obituary letters
According to the GCA 2018 report, the UK is a country with a special tradition to send cards and, as a result, the Member State with the highest number of cards sent in the EU. The average person receives more than 20 greeting cards in a year, about one-third of which are birthday cards. There are two categories of greeting cards: everyday cards and seasonal cards. The top sellers of every day cards are birthday cards and the top sellers of seasonal cards are Christmas cards. UK postal users spent GBP 1.7 billion on greeting cards in 2017. There is a trend towards combining high technology with greeting cards (music + LED lights) and a growing appreciation for handmade cards. Online greeting cards are expected to see 3.8 % annual growth but seemingly won't replace traditional cards in the near future. However, a downward trend is expected to remain at -5 % every year by the paper-card industry. The global sales of greeting cards is expected to decline to $21 billion in total by the year 2020 due to pressure of e-cards and electronic communications in general.

Source: WIK research based on the GCA (Greeting Card Association) https://www.thesprucecrafts.com/greeting-card-industry-facts-and-figures-2905385 ; http://www.greetingcardassociation.org.uk/resources/for-publishers/the-market/facts-and-figures

A recent study commissioned by Royal Mail confirms the expectation that physical cards (e.g. greetings, invitations on festive occasions or holidays) will probably decline more slowly than other social mail in the UK[76] and it seems plausible that this share of social volumes will fall less in other Member States as well. In the future, we assume sending social mail on special occasions remains a “small but fine” segment for sending letters when the correspondence has to be something special. However, the greeting card industry already suffers significant decreases in sales even in countries like the UK (see Case study 4).

- The survey participants in the UK were asked which drivers of demand are important, or most important, for the type of mail they are sending of which are rather unimportant or not at all important. Overall, more than 80 % of respondents rated all drivers as rather important/very important for all types of mail (see Figure 58). Slight differences occur in the ranking of the drivers:
- For transaction mail (i.e. periodic (mass) mailings from companies and public authorities to business and private customers / citizens or other public authorities, often periodically, e.g. bank statements, notifications, and invoices), price/postage, speed of delivery, and the requirement to send a formal/signed letter are most often mentioned as very important/rather important.
- For office mail (i.e. written correspondence to customers, suppliers and public authorities sent by companies or public authorities), the ranking is slightly different: requirement to send a formal/signed letter, speed of delivery, and price/postage are mentioned as the first three.
- For direct mail (i.e. addressed advertising), additional drivers were taken into account and the respondents mentioned price/postage, security/reliability regarding the delivery of letters, and response rates as main drivers. Direct mail might also be diminished by people refusing to receive direct mail (Robinson lists or “no advertising” stickers) or direct mail by local governments. Cities in Belgium and the Netherlands have related legislation to reduce direct mail on grounds relating to the protection of the environment (see Case study 5).
- For consumer letters and cards (i.e. private correspondence send as single-piece letters), price/postage, the availability of printing, paper, envelopes, cards etc., and the speed of delivery were mentioned as most important drivers for using letters or cards.
- Price and postage is mentioned as one of the most important drivers for all types of mail.

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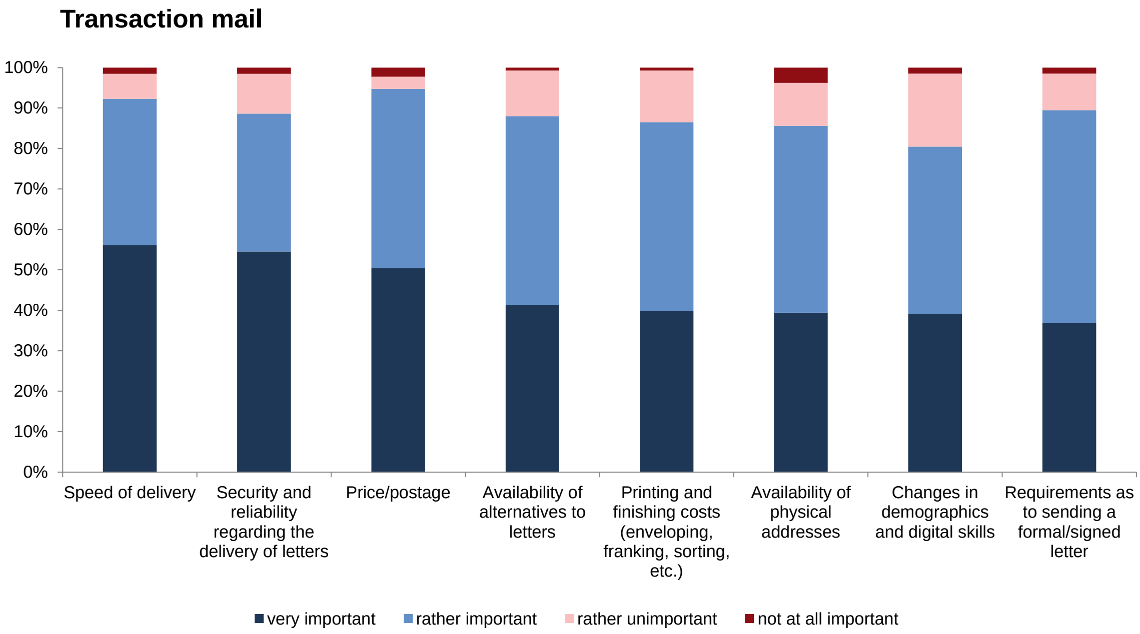
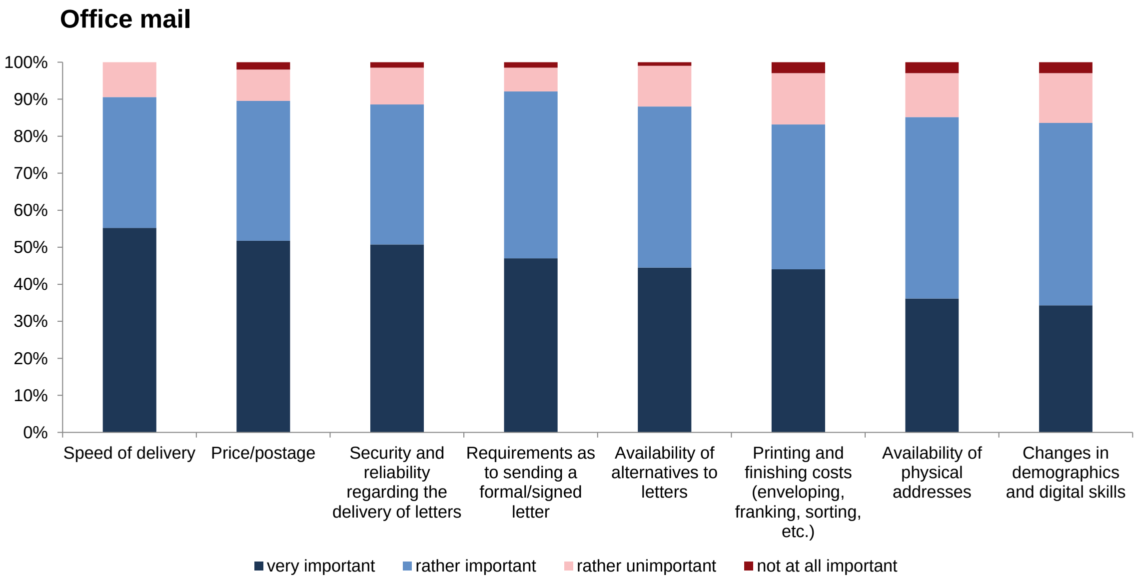
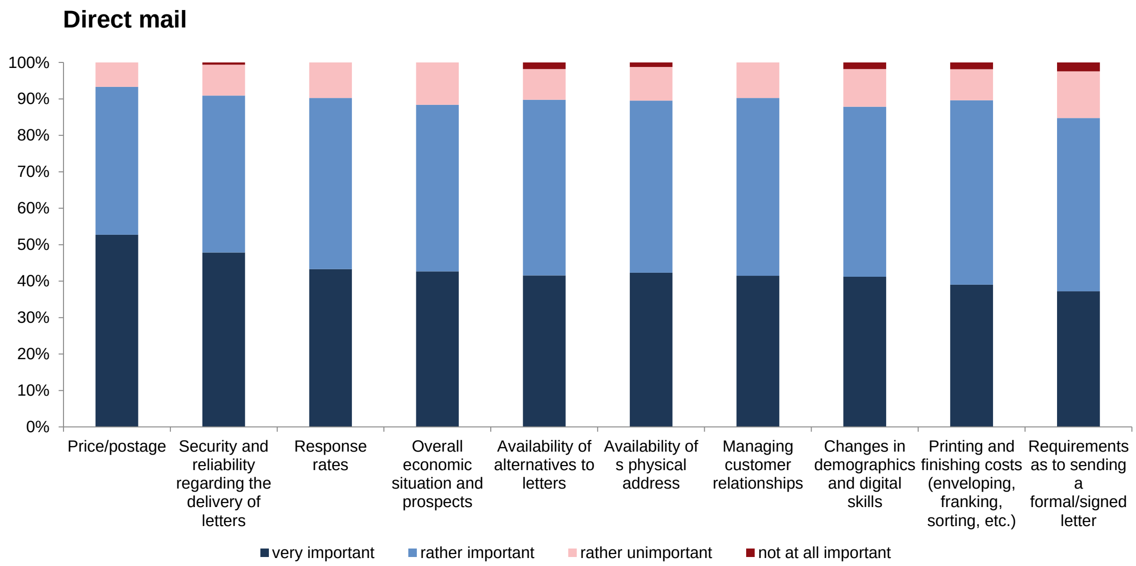
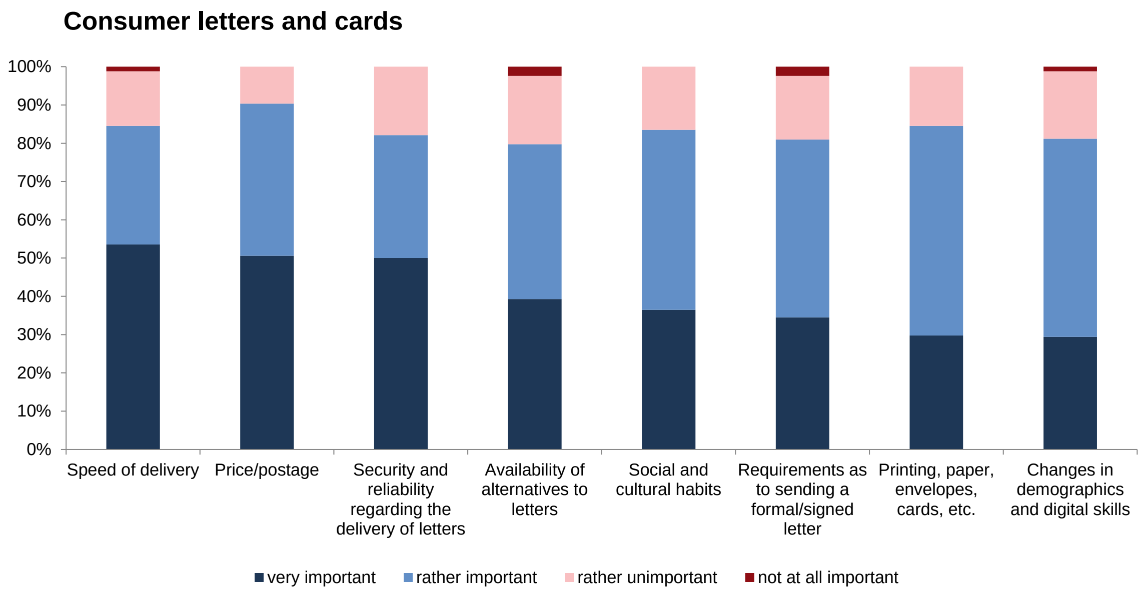
76 See Strategy& (2019): The Outlook for UK letter volumes to 2028 (study commissioned by Royal Mail Group).

Figure 58 Rating of the importance of drivers of demand per mail category (rating of respondents who sent this type of mail, in per cent)









"Please select the type(s) of mail you / your members are sending.", N=331 / "For transaction mail, how would you rate the importance of each of the following drivers of demand?", N=198 / "For office mail, how would you rate the importance of each of the following factors of demand?", N=127/ "For direct mail (addressed advertising), how would you rate the importance of each of the following factors of demand?" N=163 / "For consumer letters and cards, how would you rate the importance of each of the following factors of demand?", N=243

Source: WIK Stakeholder online survey 2019 / postal users

Case study 5: Belgium and the Netherlands: direct mail restrictions in some cities to protect the environment and respect receivers' choice

Despite the popularity of electronic advertising, physical advertisement in the form of Direct Mail (DM) and unaddressed mail still play a significant role in the marketing mix of companies. This might be related to regulation (in general opt-out rules for DM and opt-in for advertising via electronic means) or to higher customer awareness as this advertisement is mostly combined with other important correspondence such as invoices.

However, not all people are happy with DM and unaddressed advertisements and many throw these directly in the garbage bin. Therefore, in France, Germany, UK, the Netherlands and Belgium an opt-out system is active, where people need to indicate they do not want unaddressed advertising in their mailbox with stickers. In Belgium, there is a combined approach of using these stickers on the mailbox (see below) and an online register called the Robinson Mail list. This online register is managed by the Belgium DM association, which has 450 members and covers roughly 80 % of the companies using DM in Belgium[77]. This list is based on the Privacy Law in Belgium which enables a person to resist that its contact details are being included in a file or being transferred to third parties.

Unaddressed advertisement is split in unaddressed advertising (reclame drukwerk) and free newspapers (gratis pers/informatie bladen). In Flanders, the northern part of Belgium, customers can choose the blocking or receiving of either group by choosing a particular sticker with green and red colours. In Antwerpen (orange-red sticker), there is one sticker blocking all unaddressed advertising but allowing free newspapers. This is based on the local police codex, article 101, which states that it is not allowed to distribute undesired advertisement to mailboxes (as indicated by the sticker). Excepted are pamphlets of political parties and advertisement from companies where the person is or has been a customer. If people still receive DM and unaddressed mail, they can complain online[78] or directly contact distributor BD, or contact the company of which they have been a customer.

Source: https://www.vlaanderen.be and https://www.antwerpen.be

The Netherlands has known a similar opt-out sticker system for years with a similar choice as in Belgium (No/No and No/Yes for respectively unaddressed advertisement and free newspapers. Around 20 % of all Dutch households is using either a No/No or a No/Yes sticker (see picture below)[79]. However, the municipality of capital Amsterdam decided in September 2017[80] to implement a reverse opt-in system for unaddressed advertising after an investigation in 2014 showed a large amount of wasted paper[81]. In response to this measure, the involved printing and distribution companies filed a lawsuit which they lost in November 2017[82] .

77 See www.robinson.be
78 See http://www.foldersontvangen.be/
79 MailDB, 2014.
80 Municipality of Amsterdam (2017), Raadsbesluit of 27 September 2017, change in Article 17 of the Afvalstoffenverordening 2009.
81 Research by Milieu Centraal in 2014; per average household 34 KG of unaddressed paper was received yearly accumulating to more than 10 million KG of paper for Amsterdam based on the

Research in August 2017 predicted the effects of the measure[83]; of those currently receiving unaddressed mail (hence not having the No/No or No/Yes) sticker on their mailbox), only 32 % indicated intent to use the new Yes-sticker required to maintain receiving the unaddressed mail. Hence the coverage of the unaddressed mail would be reduced by 50 % in Amsterdam.

From that moment on, mailboxes without any sticker received only free door-to-door newspaper with local content and only mailboxes with a JA (Yes) Sticker on it receive unaddressed advertisement. In addition, people were made aware of the possibility of finding most of the advertisement online so that they can receive the advertisement when desired digitally.

The previous No/No sticker remained active as well (meaning no DM and no free newspapers). Excepted from the regulation is printing of volunteer / non-commercial organisation including political parties and door-to-door free newspapers due to their important local content.

Sources: ANP, https://www.amsterdam.nl/afval/jajasticker/

The previous opt-out system was coordinated by the industry itself. However, due to the lawsuit from the advertisers, the municipality decided to organise the practical issues like distribution of stickers, complaint handling and enforcement themselves. Estimated costs are EUR 230,000 per year[84].

In June 2018, in response to the ban, a publisher launched a new free newspaper called 'City', which is exempted from the rule[85]. City contains minimal news and 88 % advertisements. After receiving many complaints from citizens, the municipality of Amsterdam warned the newspaper in September 2018. Although City contained the legal minimum of 10 % news, it did not fulfil the criterion of being local news relevant for one of the 7 parts of Amsterdam, where the newspaper is distributed door-to-door.

Source: WIK research.

number of 'opt-out' stickers on the mailboxes. This still excluded the waste of free newsmagazines and bundling of many advertising in plastic bundles.

82 Court Amsterdam, Case C/13/620764 / HA ZA 16-1280, https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBAMS:2017:8565

83 Direct Research (2017), "Folder onderzoek Amsterdam", 4 August 2017.

84 See https://www.parool.nl/nieuws/vanaf-2018-alleen-nog-reclamefolder-met-ja-ja-sticker~b6423ae6/

85 See https://www.parool.nl/nieuws/huis-aan-huisblad-city-is-het-antwoord-op-folderbeleid~bfbd8a39/

Summary and conclusions

Today, “only” 21 % of respondents use digital solutions more than letters or almost exclusively. Our findings from desk research and additional in-depth expert interviews indicate that this share will rise significantly during the next 5-10 years. A reversal of the trend cannot be anticipated today and all postal user groups seem to move in the same direction, although to varying extent.

As yet, it remains unclear as to how and at which pace e-substitution will develop in the Member States. The “frontrunners” in this field show a very high e-substitution adoption rate and use digital communication for almost all purposes (e.g. DK, NL, EE). These Member States outperform other countries by far. Especially some Northern and Western Member States have managed to transform business and government communication nearly entirely into digital solutions.

We would like to emphasise that the different status of advancement in the Member States will probably remain unchanged for many years to come. It is still the subject of a controversial debate whether letters will be almost completely substituted, even in the “frontrunner” countries.

In 5-10 years, business users expect to need postal services for marketing and managing customer relationships as well as for communication with public authorities and other companies. Social interaction will become probably almost entirely digital in all Member States in future, unless a special occasion requires particular attention.

3.3 Delivery location

Postal services are characterised by nationwide collection and delivery services constituting a comprehensive network which connects each citizen as well as private and public institutions with each other.

If separately asked, citizens highly appreciate the nationwide provision of postal services, i.e. having the possibility to send or receive postal items everywhere, even in remote areas.[86] BIPT, for example, concludes in its study that postal users appreciate this impact on social cohesion.[87] The regulator states that “according to the quantitative study, 69 % of Belgian private persons would feel closed off from the outside world if they could not send or receive any mail anymore. In [the] case of people over 65 this share is [as high as] 84 %. Also vulnerable users, with limited mobility or a visual impairment, who are not online-oriented, remain greatly dependent on postal

86 See BE (2017a, b), SE (2016, 2018a) and SK (2015).
87 BE (2017a), see also PT (2017a) and UK (2012a).

services."[88] In this context, individual users also rejected the possibility of non-uniform tariffs.[89]

The delivery of postal items at the premises of the recipient guarantees the accessibility of postal services for recipients. The surveys show that "home delivery" is the mostly preferred delivery option for letters and highly appreciated by private users (e.g. BE, DE, MT, NL, PT, RO, SI and CH)[90] and SMEs (e.g. BE, DE and NL)[91]. This means that letters and letter-box sized small packages are delivered to the letter box of each household / business.

Three postal user surveys (NL, PT and the UK) asked whether the option of "community letter boxes" would be acceptable for postal users. Community letter boxes are centrally situated letter boxes (e.g. in the centre of a village) where individuals and businesses have to collect their postal items. In all cases, the majority of the respondents would not accept such community letter boxes.[92]

Parcels and registered items (that need a signature) are delivered at the doorstep by personal handover in many countries. However, the habits and preferences regarding the delivery location of parcels vary among Member States. In the Baltic countries and Poland, parcel lockers play an important role as delivery location for e-commerce parcels, while in the Nordic countries (notably Sweden), the standard delivery location for parcels is the next postal outlet.[93] However, in many countries consumers are willing to accept alternative delivery locations for parcels additional to home delivery (e.g. in DE (2018), MT (2019), DK (2015)). Which type of delivery location is preferred also depends on availability (e.g. parcel lockers are not available in all countries and usually situated in densely populated, urban regions)[94] and age of the user (younger people are more willing to use parcel lockers instead of postal outlets)[95].

Summary and conclusions

Overall, the WIK literature review on postal user surveys clearly confirms the conclusion of the ERGP (16) 36 report, that "users generally disagree with any proposals to reduce accessibility, especially in the case of delivery to the doorstep (home delivery)"[96] and that they prefer the delivery mode they are used to. Private consumers seem unlikely to

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88 BE (2017a), p. 5.
89 See BE (2017a) and PT (2017a).
90 See BE (2017a), DE (2018), MT (2019), NL (2016), PT (2017a), RO (2015b), SI (2018a) and CH (2017).
91 See BE (2017a), DE (2018) and NL (2016).
92 See NL (2016), PT (2017a) and UK (2012a).
93 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, Appendix B WIK Consumer Survey.
94 Ibid.
95 See SE (2016).
96 ERGP (2016), ERPG report Universal Services in light of changing postal end users' needs, ERGP (16) 36, p. 28.

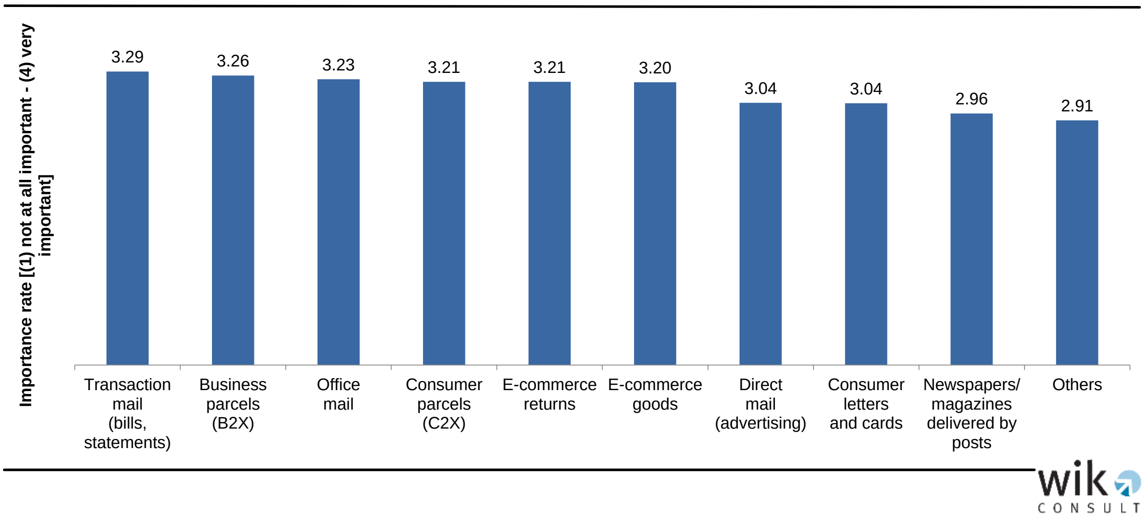
compare delivery modes of other countries to the traditional mode of their country and to choose a reduced service. E-retailers and business / private consumers welcome how parcel carriers build up alternative pick-up and drop-off points for more convenient online-shopping.

3.4 Frequency of delivery

The Postal Services Directive determines the minimum standard that postal items have to be collected and delivered on at least five days per week. Exceptions are subject to agreement with the national regulatory authority. ERGP (16) 36 concludes that there is a "diminishing need for five or six days delivery from residential consumers"[97]. Our literature review and also our online stakeholder survey shows that individuals are open for a reduction of delivery frequency today, however, the reliability of daily week-day delivery introduced by the Postal Services Directive has been a great improvement for postal users in many Member States.

In our survey, respondents were asked to rate the importance of daily delivery of different postal items from "very important (4)" to "not at all important (1)". Most important is the daily delivery of transactional mail and office mail and all parcel items (B2X, C2X, e-commerce returns, and e-commerce goods) from the view of the respondents. The daily delivery of direct mail, consumer letters and cards, newspapers, and "other" postal items is rated as only "important" or slightly less (see Figure 59).

Figure 59 Importance of daily delivery of postal items in 5-10 years (rating of respondents per postal item)



"In 5-10 years, how would you rate the importance regarding the daily delivery of the following postal items?", N=331

Source: WIK Stakeholder online survey 2019 / postal users

97 ERGP (2016), ERPG report Universal Services in light of changing postal end users' needs, ERGP (16) 36, p. 29.

According to the results of user surveys in Member States, postal users in some countries appear to be open for a reduction of the delivery frequency to four days per week (in DE, IE, NL, PL, PT)[98] or even less (e.g. SE)[99]. In other countries, at least five days per week were acceptable in the view of the users, e.g. in MT (from six-day delivery)[100] and SI[101].

Business users, however, are more reluctant to accept (further) reductions of the delivery frequency for letters (e.g. in BE, IE and NL)[102], especially if they have their offices in rural areas (e.g. in SE)[103]. They appear to still request five delivery days per week at least. While they usually do not need deliveries on Saturdays, many still need five-day delivery (Monday to Friday).[104] Large mailers appear to be even more reluctant than SMEs to accept delivery frequencies of less than five days per week.[105]

E-commerce in combination with growing competition drives the development of new parcel delivery services (with regular deliveries on Saturdays and even Sundays in some countries) so that the delivery frequency of parcels appears to be a less important topic of the universal service discussion. A Danish survey revealed that consumers prefer that parcels should be collected and delivered at least on five days per week.[106] This study even concludes that the tested hypothesis “Individuals and small businesses in country areas [*in small towns and rural districts*] are still dependent on the universal service obligation (Post Danmark) in or to be able to send/receive parcels” cannot be confirmed by the survey results.[107]

Summary and conclusions

Overall, the literature review shows mixed results on the minimum delivery frequency that is acceptable to postal users. Private users would accept four delivery days (or less) in six of the surveyed Member States and we can assume that this tendency will occur in many but not in all countries. This is not the case for business users who still depend largely on office and transaction mail because SMEs are not sufficiently digitised and, like large senders (e.g. insurance companies, advertising and marketing companies), rely more on letters for reasons such as responsiveness and legal requirements. Particularly in large postal markets, notably in France and the UK, the reduction of the delivery frequency of currently six days per week appears not to be an

98 See DE (2018), IE (2016), NL (2016), PL (2017), PT (2017a) and SE (2018a).
99 See SE (2018a).
100 See MT (2019).
101 See SI (2018a).
102 See BE (2017a), IE (2016) and NL (2016).
103 See (SE (2018a).
104 See MT (2017a, 2017b), SI (2018c)
105 See DK (2014).
106 See DK (2015).
107 DK (2015), p. 5.

issue. All in all, users appreciate the frequency of delivery they are used to while in many Member States the evidence shows clear preference for e-substitution of letters.

3.5 Speed and time of delivery

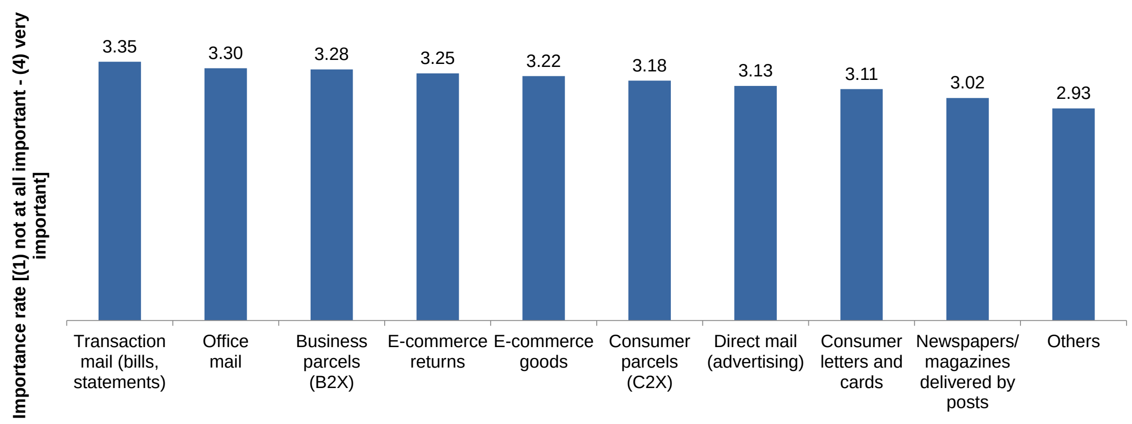
The delivery frequency is crucial for the potential speed of delivery. The Postal Services Directive has accomplished sustainable changes and improvements in speed of delivery for domestic and cross-border letters which had a major impact on postal user satisfaction.

Next-day delivery of letters (the delivery of a postal item the next working day after the day of consignment) is only possible if delivery is ensured on at least five days per week (usually Monday to Friday) or if a special express delivery is available. In user surveys, the topics ‘frequency of delivery’ and ‘quality standards’ (transit time targets) are often treated separately although these are two sides of the same coin.

The results of the Stakeholder online survey suggest that respondents value speed of delivery as slightly more important than the daily delivery of postal items. However, as pointed out, delivery frequency of five to six weekdays is a prerequisite for D+1 letter products of postal operators and postal users may not necessarily take this into account in their survey answers.

Speed of delivery over the next 5-10 years is rated most important for transaction mail, office mail, and B2X parcels. It seems less important for consumer letters and cards as well as newspapers (see Figure 60). This response behaviour pattern reflects the higher importance of business related letter-based communication compared to private which is even more subject to substitution by e-mail, messengers, and social media.

Figure 60 Importance of speed of delivery in 5-10 years (rating of respondents per postal item)



"In 5-10 years, how would you rate the importance regarding the speed of delivery of the following postal items, e.g. one or two days after posting?", N=331

Source: WIK Stakeholder online survey 2019 / postal users

The results of the literature review show a mixed picture depending on available alternative digital communication solutions, the existing service level, and the level of letter volume. In many countries a slower delivery standard appears acceptable for both, private and business users but both user groups would only accept a slower delivery standard if there is a choice between next-day delivery for urgent postal items and slower delivery service for less urgent items, e.g. in BE, FR, IE, NL and RO.[108]

Users expect to benefit from lower postal tariffs if they accept slower delivery. To date, private users in 19 Member States, in the three additional EEA countries and in Switzerland already have a choice between different quality standards for domestic letter services within the scope of the USO.[109] Member States without such a choice for stamped letters are CZ, DE, EE, ES, FI, IE, LU, MT, NL, and SI.[110] In countries without a choice between two different speeds for universal service letters, consumers and

108 See BE (2017a), FR (2017), IE (2016), NL (2016) and RO (2015a).

109 In 2016, in 22 countries (18 EU MEMBER STATES, 3 other EEA MEMBER STATES and CH) consumers had the possibility to use an economy letter service with a slower delivery standard (ranging from D+2 for example in France and D+5 in Denmark), see Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016). In January 2019, bpost introduced an economy letter service for stamped and franked letters. They argued with the results of a postal user survey (commissioned by bpost) that 94 % of individual customers and 92 % of business customers said they were willing to accept an extension of the delivery time of their letters, as long as they still had the choice to use a next-day delivery service (bpost (2018), Des timbres-poste Prior et Non Prior à partir du 1er janvier 2019, press release 28 November 2018 (https://corporate.bpost.be/media/press-releases/2018_2/2018-11-28?sc_lang=fr-FR). In SE, the fastest standard category for universal service letters has been D+2 instead of D+1 since 2018.

110 In ES, the standard service quality is D+3. The more expensive express letter (around six times the standard tariff) is not a universal service product.

business customers appear to have a preference for next-day delivery services (in DE, MT, and SI).[111]

It appears that the need for next-day delivery services also depends on the access to digital infrastructure and solutions. For example, Danish citizens without internet access prefer next-day delivery while those with internet access are open for slower delivery standards.[112] In Sweden, overnight delivery is of greater importance for the elderly and respondents in areas with poorer accessibility.[113]

In BE, IE, NL, and SE, postal users consider reliably predictable delivery services (e.g. day-definite delivery) being more important than overnight delivery or delivery on five days per week.[114] For postal users, the timely delivery of postal items, especially of parcels, is important (e.g. in PL)[115].

Especially for parcel delivery services in the context of e-commerce, there is an increasing need of postal users (in their role as recipients) for more flexibility and predictability in the delivery time (day and time of the day). This requires more flexibility in the delivery days (e.g. deliveries on Saturdays and Sunday delivery) as well as in the delivery time. In this context, individual users wish to have a delivery in the late afternoon or in the evening of registered items and bulkier parcels that both usually need a personal handover (e.g. in PT)[116]. Business users (with constantly manned offices) usually prefer delivery in the morning.

Summary and conclusions

The results of the WIK literature review confirm the conclusion of the ERGP (16) 36 report that “some users are prepared to accept a slower delivery service [for letter services], and there is an increasing trend towards use of D+2 and D+3 services over D+1; reliability [*WIK: timely delivery*] of services is very important”.[117]

3.6 Postal outlets

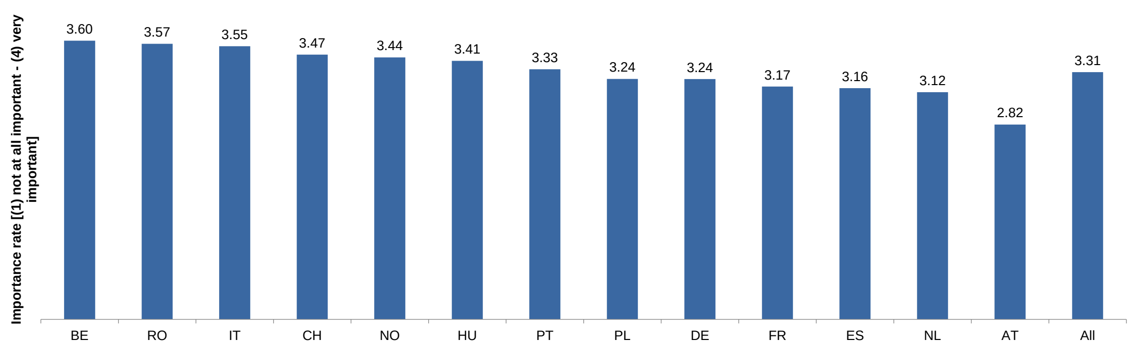
Postal outlets form an essential and, from the consumers’ perspective, the most visible part of the postal infrastructure. The density of delivery locations has enhanced user satisfaction and improved overall postal services especially after the adoption of the Postal Services Directive regulations. In the emerging e-commerce market, the postal

111 See DE (2018), MT (2017a, 2017b and 2019), SI (2018a and 2018b).
112 See DK (2014). The report notes that individuals without internet access use postal services much less than individuals with internet access. Apparently, people who communicate a lot use all kinds of communication solutions more often.
113 See SE (2016).
114 See BE (2017b), IE (2016), NL (2016), SE (2018a).
115 See PL (2017).
116 See PT (2017a)
117 ERGP (2016), ERPG report Universal Services in light of changing postal end users‘ needs, ERGP (16) 36, p. 29.

outlet network also enabled postal operators to roll-out new pick-up and drop of solutions quickly and successfully. Local pick-up and drop-of points for collection of parcels that could not be delivered to the door and returning goods at the local postal outlet or parcel shop is indispensable for postal users today and in future.

In postal terms, they are basically access points for postal users to send and collect postal items, and depending on the nature of the postal outlets, provide additional services (e.g. basic financial and governmental or other public services) or sell other goods. The Postal Services Directive requires that the "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." (Article 3 (2)). This fairly general requirement leaves it up to the Member States to define more detailed requirements on the number, the distribution and density, the nature and the services offered in postal access points (postal outlets) to better meet the needs of the domestic postal users.

Figure 61 Importance to keep the density of postal outlets in 5-10 years (rating of respondents per country)



"In 5-10 years, how important will it be, in your opinion, that postal outlet networks in your country at least maintain its current density?", N=331

Source: WIK Stakeholder online survey 2019 / postal users

Our stakeholder online survey shows a high percentage of users who regard nearby postal outlets and a dense network of postal outlets as indispensable in the future. They are less and less important for access to other services (like financial services or government services) but in some Member States (e.g. CH, DE; MT) they still play a role. Evaluating the respondents' answers, we have to keep in mind that many respondents will not only think of postal services when they rate the importance of postal outlets but also access to other services and the social function of a postal outlet for a (rural) community.

Overall, respondents rated postal outlets on average with 3.3 ("important") (see Figure 61). The answers vary from one country to another. In PL; DE, FR, ES, NL, and AT, the importance of keeping the current density of postal outlets in future is rated below the average of all respondents. As this is not a representative survey, the result can only give a first hint in which country respondents expect to have less need for postal outlets in future. However, this might not be the case for all postal user groups in a country. Insights from our in-depth interviews show how especially consumer associations emphasise the need of people with reduced mobility and people living in remote areas for nearby postal outlets. Access to at least one default e-commerce return option, collection points for parcels and for registered items are mentioned as crucial for these user groups.

The other important pillar to access universal postal services is street letter boxes for sending letters and postcards. In some Member States, a third category of access points have emerged, namely parcel lockers to collect or send mainly parcels. These are unmanned stations at distinct, easily accessible locations (e.g. at railway stations, near supermarkets or petrol stations). Parcel lockers are a complementary offer of some USPs (e.g. bpost, Deutsche Post, Postnord in Denmark, Eesti Post, Finnish Posti and Spanish Correos) but also of other postal operators (e.g. Inpost in Poland and GLS), online sellers (e.g. Amazon) and independent parties (e.g. Polish Inpost/Integer in the UK, Danish technology firm Swipbox in Finland, Estonian technology firm Cleveron with its Collect.Net in Estonia).[118] Parcel lockers and alternative parcel pick-up and drop-off points are widely welcomed by private consumers and e-retailers to simplify online-shopping, especially if these alternative access points offer extended and thus more convenient opening hours in the evening or at weekends.[119]

Postal user surveys, especially consumer surveys, intensely deal with the user satisfaction and needs in relation to postal outlets. Generally, as the surveys show, postal outlets are mostly used for accessing postal services and increasingly less for financial services (e.g. CH and DE)[120]. However, in some Member States postal outlets are still used for the payment of bills (e.g. MT)[121]. This include the collection of registered letters and parcels because postal outlets are either the standard delivery location for parcels (e.g. in SE) or they are the standard fall-back solution if the USPs fail to deliver registered items and bulkier parcels at the first delivery attempt. Additionally, they are often used to buy stamps and to send registered letters and parcels (including e-commerce returns).

In many countries they offer basic financial services, partly based on specific public service obligations (e.g. in CH, FR, many Eastern Member States, but not in the Nordic countries or in the Netherlands). In some countries, postal outlets are important for

118 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery.
119 See Paketshops im Wettbewerb [Parcel shops and competition], WIK-Diskussionsbeitrag Nr. 407, Bad Honnef, April 2016 (Annette Hillebrand, Petra Junk).
120 See CH (2017) and DE (2018).
121 See MT (2019).

citizens‘ daily life particularly in rural areas (e.g. PT)[122]. Based on additional public service obligations, they provide governmental and other public services to promote the social cohesion of the country (e.g. in BE, FR and the UK).[123] For this purpose the UK government evaluated the “social value of the Post Office network” with a dedicated user survey.[124] Moreover, unbanked people might be more dependent on a postal outlet network as they send and receive cheques, money orders, or might use the local financial services at the postal outlet. In some Member States, the number of unbanked people is still significant (see Case study 6). In LT, PL, SK, HU, BG, and RO, less than 80 % of the population over 15 years have a bank account.

While consumers are usually satisfied with the number and density of postal outlets as well as with services provided, in some Member States they request a higher density (e.g. PL)[125] and longer opening hours to improve the accessibility of postal outlets in the early morning, evening and at weekends (e.g. PT, RO)[126]. This request is driven by the increased e-commerce activities that result in a growing number of delivered parcels that have to be collected and, at least some, returned. Moreover, the regular opening hours often do not fit the working hours and lifestyles of working people (especially in urban areas).

Summary and conclusions

Overall, the WIK literature review confirms the conclusion of the ERGP (16) 36 report that there is a “demand for greater flexibility in opening hours of access points (post offices) to enable early, late and weekend collection and/or delivery”.[127]

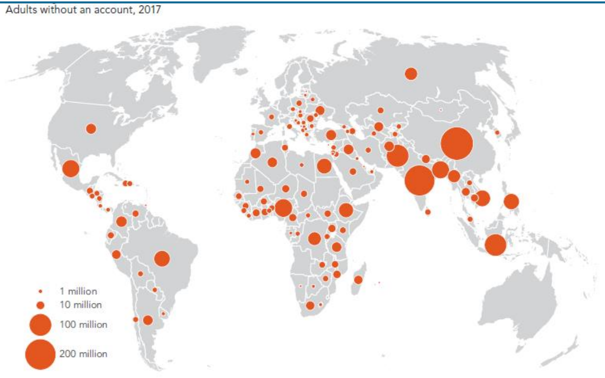
122 See PT (2017b).
123 In Belgium and France, additional public service obligations are defined in the separate contracts with the USPs (Contrat de gestion (2016-2021), Attribution de services d’intérêt économique général à bpost; Contrat d’entreprise 2018-2022 entre l’Etat et La Poste, Contrat relative aux missions de service public confiées au Groupe La Poste and 4ème Contrat de présence postal territorial 2017-2019 entre l’état, l’AMF et le Groupe La Poste). In the UK, the post offices are managed in a distinct company, Post Offices Ltd., that is fully owned by the state (in contrast to the fully privatised USP Royal Mail plc). The British government defines additional public service obligations for the post office network (e.g. for rural and deprived urban areas), see Department for Business, Energy & industrial Strategy (2017), Government Response to the 2016 Post Office Network Consultation, December 2017. See also UK (2016a).
124 See UK (2016a).
125 See PL (2014a).
126 See PT (2017b) and RO (2015a).
127 ERGP (2016), ERPG report Universal Services in light of changing postal end users‘ needs, ERGP (16) 36, p. 28.

Case study 6: Unbanked people and use of cheques

According to the Global Findex Study of 2017 from the World Bank[128], there were around 1.7 billion adults unbanked in 2017, meaning without an account at a financial institution or through a mobile money provider. Globally, this is 31 per cent of all adults. The good news is that the number is decreasing; in 2014, there were still 2 billion adults unbanked.

Most of the unbanked people worldwide live in developing economies like China, India, Pakistan and Indonesia, however in Europe there are also still people without access to a bank account (see below graph).

Adults without an account, 2017



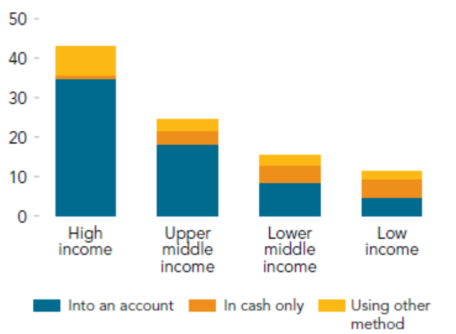
Source: Global Findex database.
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

Table 17 Unbanked adults (population over 15 years, 2016)

	% banked adults	No. unbanked
DK	100	0
FI	100	0
SE	100	23.145
NL	99	97.520
UK	99	576.710
DE	99	846.204
BE	98	167.286
EE	98	24.641
ES	98	961.811
SI	97	48.319
AT	97	234.144
FR	97	1.823.034
MT	96	12.889
LU	96	16.043
IE	95	198.958
CY	90	95.339
LV	90	183.599
EL	88	1.156.747
PT	87	1.142.995
IT	87	6.730.713
HR	86	535.104
CZ	82	1.566.594
LT	78	671.332
PL	78	7.244.330
SK	77	1.057.383
HU	72	2.345.755
BG	63	2.216.392
RO	61	7.286.213
Total		37.263.200

Sources: CIA World Factbook, Global Findex. https://www.wsbi-esbg.org/press/latest-news/Pages/Close-to-40-million-EU-citizens-outside-banking-mainstream.aspx

FIGURE 3.1
Except in low-income economies, most people getting government payments receive them into an account
Adults receiving government payments in the past year (%), 2017



Source: Global Findex database.

The Global Findex study also showed (see Fig. 3.1, left) that in economies, where a small share of adults remain unbanked (so for example in Europe), most of the unbanked are poor. Respondents in the study were asked for their reasons of being unbanked and almost 66 % cited lack of enough money and about 20 % limited education (primary education or less). Also, in general, they are disproportionately young; 30 % of unbanked adults is between 15 and 24 years old.

According the World Bank, what might help reduce the number of unbanked, is that governments make payments (wages, pensions, social security) in bank accounts instead of in cash or cheques. Especially in developed economies like Europe, more than 2/3 of people receive government payments (wages or pensions) into their bank account, which is twice as much as in low income economies. See below figure.

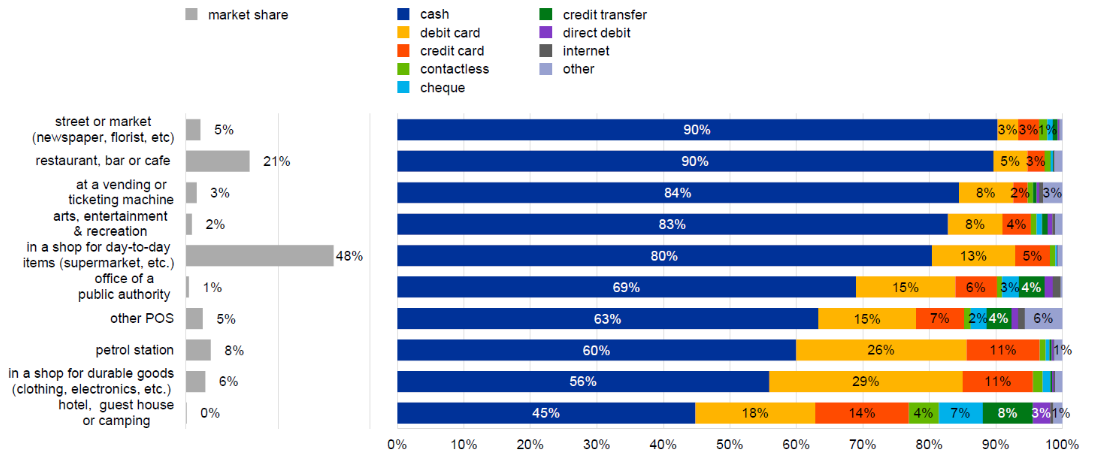
128 World Bank Group (2017), The Global Findex database 2017, http://passthrough.fw-notify.net/download/066655/http://documents.worldbank.org/curated/en/332881525873182837/pdf/126033-PUB-PUBLIC-pubdate-4-19-2018.pdf

On the contrary, in Vietnam and the Philippines respectively 4 and 6 million people still receive government payments in cash. Also in Romania around a third of the people still receive payments in cash. According to the World Bank, digitising government payments have increased account ownership strongly, for example, in Uzbekistan (17 %) and Jordan (10 %).

A study in 2017[129] showed that cash is still largely used in the EU but cheques however (in light blue) barely, apart from in hotels, guest houses or camping (7 %).

Market share of the main payment instruments

(number of transactions)



Sources: ECB, Deutsche Bundesbank and De Nederlandsche Bank.

A working paper from 2016[130], showed that between 2000 and 2012 the annual per capita number of payments made with cheques in the EU reduced from around 24 to about 9, which corresponded to a reduction in the share of cheque payments from 18 % to 5 % during that period. A factor in this development is the 2009 EU regulation on cross-border payments which lowered transaction costs of cross-border usage of electronic payments and cash withdrawal, which however does not apply for cheques. Therefore, cheques can still have significant transaction fees if used cross-border in the EU.

In respect to regulating charges related to the cashing of cheques, there is an US study from early 2000[131], which reviewed the impact of bank regulation on the number of unbanked. The US governments started to review the use of cheques in general due to the significant lower costs (USD 0.43 versus USD 0.02) compared to electronic transfer, but also review the capping of costs charged by instances cashing money for unbanked people, who took advantage of their position. In this study, it was noted that the effect of capping cheques related charges had little impact on the amount of unbanked people as most will not notice as fast that cheque charges have been capped or decreased as they only use this service once a month, or they will not notice the cost change at all.

Source: WIK research.

129 Henk Esselink, Lola Hernández (2017), the use of cash by households in the euro area
130 Vânia G. Silva, Esmeralda Ramalho, Carlos Vieira, CEFAGE working paper 2016/003, Universidade de Évora, Portugal.
131 The Impact of Banking and Fringe Banking Regulation on the Number of Unbanked, The Journal of Human Resources 41 no. 1 Winter 2006, pages: 106-37, WN: 0634902323008

Research question 2:	**How important is the network (density of points of contact and access points) for the ability to provide the universal service? Does it give a competitive advantage?**

The WIK stakeholder online survey shows a high percentage of postal users who value nearby access points and who regard a dense postal outlet network as indispensable for the future. However, some of the respondents will consider access to other services provided by postal outlets, e.g. government services or financial services and maybe also the overall social function of postal outlets in a rural community.

USPs in all Member States reduced the number of postal outlets to save costs or gave up or outsourced their points of contact and access points. Postal agency networks function as substitutes for the traditional post office in many countries. This trend is set to continue.

With the fast growing B2C e-commerce market, locations of access points for dropping off and picking up parcels have become an additional asset for USPs and parcel operators alike. Parcel operators extend their networks using petrol stations, small shops or parcel lockers to offer a variety of options for their customers with extended opening hours.

The existing network of USPs with its traditional opening hours and services is not necessarily a competitive advantage in the growing e-commerce market but an extended network of parcel shops and other options for picking up parcels (that many USPs maintain) clearly present such competitive advantages.

3.7 Potential vulnerable postal users within the EU

As regards universal service provision, the current Postal Services Directive and regulation in the Member States does not draw any distinction between business and private postal users in general and specific user groups. The universal service obligations are setting up comparable quality standards within the EU, establishing common rules concerning affordable and uniform tariffs within a Member State, a 5-day-delivery frequency and, in the vast majority of Member States, to-the-door delivery of letters and parcels. All these principles affect receivers and senders of postal items in the same way and foster social and territorial cohesion.

One positive exemption occurs in which the Postal Services Directive states that the “Member States may maintain or introduce the provision of a free postal service for the use of blind and partially-sighted persons” (Article 12). This specific postal user group has certain privileges in the Member States and receives e.g. Braille letters, newspapers, and books without postage (see Case study 8).

In these cases, the postal service remains their default option for correspondence and transactions and these users might be significantly impacted by amendments to universal service obligations.

In the following chapter, we will further determine the group of potentially vulnerable users, suggest a definition, and estimate the share of vulnerable users within the EU and the Member States.

3.7.1 Definition

To further determine the group of potentially vulnerable users, we suggest a definition based on Directive 2005/29/EC of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market ('Unfair Commercial Practices Directive' or UCPD), which notes that vulnerability "may arise out of the consumers' mental or physical infirmity, age or credulity". A recent EU study on Consumer vulnerability[132] explains further: "A consumer, who, as a result of socio-demographic characteristics, behavioural characteristics, personal situation, or market environment: *is at higher risk of experiencing negative outcomes in the market*; has limited ability to maximise their well-being; has difficulty in obtaining or assimilating information; is less able to buy, choose or access suitable products; or is more susceptible to certain marketing services."

For postal users, this would imply that changes of the universal service obligations lead to a higher risk of experiencing less affordability, less reliability and reduced convenience than would be the case for other user groups. These non-vulnerable groups are either less affected by price increases or reduced service because of their socio-economic conditions or could compensate reduced postal services by switching to digital alternatives. Vulnerable postal users might not only be individuals but also organisations caring for specific user groups and there might also be some small and medium-sized enterprises (SMEs) in selected regions which are more dependent on letters than other companies.

Potential dimensions of vulnerability as regards users of postal services are[133]

- living in remote and rural areas[134]: postal users living in remote and rural areas might be negatively affected from delayed broadband deployment. Thus, potentially reduced postal universal service features have a more negative effect in these areas. Postal users in remote and rural areas might gain less access to new delivery options in e-commerce and might also face surcharges by e-retailers.
- low income: in general, consumers with low income will be affected most by price increases for traditional letters as they will lack resources to invest in digital substitutes. However, most consumers send only few letters per year and the amount paid for postage is low compared to other expenses (e.g. public transport, medical supplies etc.).

132 Consumer vulnerability across key markets in the European Union 2016, p. 20.
133 See Technology and change in postal services – impacts on consumers. Study for Citizens Advice (UK), WIK-Consult with ITA Consulting (Annette Hillebrand, Sonja Thiele, Petra Junk, Christian Hildebrandt, Paul Needham, Moritz Kortüm), Bad Honnef, January 2016, p. 104ff.
134 A special focus is on rural and remote areas, see ERGP (16) 36: "Europe's urban areas are home to over two-thirds of the EU's population. Assuming that this trend will continue, profitability of postal delivery in rural areas may be called into question, affecting postal delivery practice." See also https://ec.europa.eu/regional_policy/en/policy/themes/urban-development/

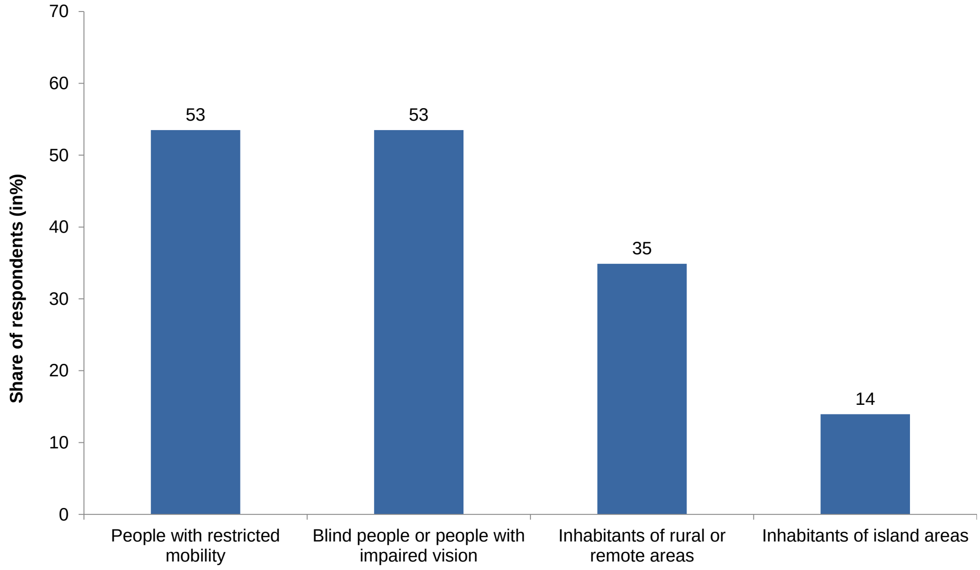
- lack of digital skills: private and business consumers who lack digital skills or are non-users face barriers to using new technologies for communication and for online-shopping. The group will over-proportionally consist of elderly people who did not obtain digital skills at school or work.
- reduced mobility: new digital technologies might require physical skills that exclude consumers with reduced mobility/disabilities and with special needs (e.g. blind and partially-sighted persons).

In our view, vulnerable postal users are not vulnerable per se but are at higher risk of experiencing negative outcomes in the market in future, namely if universal service provisions change, e.g. if price increases reduce affordability of postal services and if service quality aspects like reliability and convenience suffer.

3.7.2 Discussion of vulnerable users of postal services in the Member States

In the WIK Stakeholder online survey, respondents from AT, CH, BE, DE, DK, ES, FR, HU, IS, IT, MT, NL, NO, PL, PT, and RO said that the interests of vulnerable users have been discussed in their country. About half of the respondents reported that user groups identified as vulnerable included people with restricted mobility or blind people and people with impaired vision. Inhabitants of rural or remote areas as well as island areas were likewise considered. In addition to these groups, elderly people were mentioned as potentially vulnerable among “other” groups by the participants.

Figure 62 User groups identified as vulnerable in public discussions (respondents in per cent)



"In public discussions on postal users with vulnerabilities, which user groups have been identified as vulnerable?", N=43

Source: WIK Stakeholder online survey 2019 / postal users

Case study 7: Vulnerable postal users in UK
According to studies by the UK consumer associations, Citizens Advice Scotland (CAS), rural consumers are 10 % more reliant on postal services than consumers in urban areas. They also have to pay higher delivery surcharges to e-retailers. Elderly postal users make up a higher proportion of rural users and they are twice as likely to visit a post office in a week than the average consumer. One in five SMEs in Scotland (19 %) claim that they could not function without the postal service, particularly SMEs in remote rural areas say that postal items are key to their business (29 %, compared to 15 % in urban areas). This might be due to the fact that 45 % of SMEs operating in remote rural areas in Scotland report that their broadband is "often or usually poor". E-commerce is an opportunity to compensate for living in remote locations. 75 % of households in Scotland buy online. CAS often receive reports from businesses and consumers being asked to pay location-based delivery surcharges even in areas near larger cities like Glasgow or in Inverness and Aberdeen. The consumer association has examined surcharges called "the postcode penalty" regularly. Apparently, there is no limit to the surcharges and the surcharge price scale doesn't seem transparent to private and business consumers alike.

Sources: WIK research based on interviews and on studies by Citizens Advice Scotland (CAS). (1) CAS (2017): Rural Futures 2017; (2) CAS (2017): The Postcode Penalty: Delivering Solutions; (3) CAS (2018): Delivering for Business: Scottish SMEs use of Postal Services 2018.

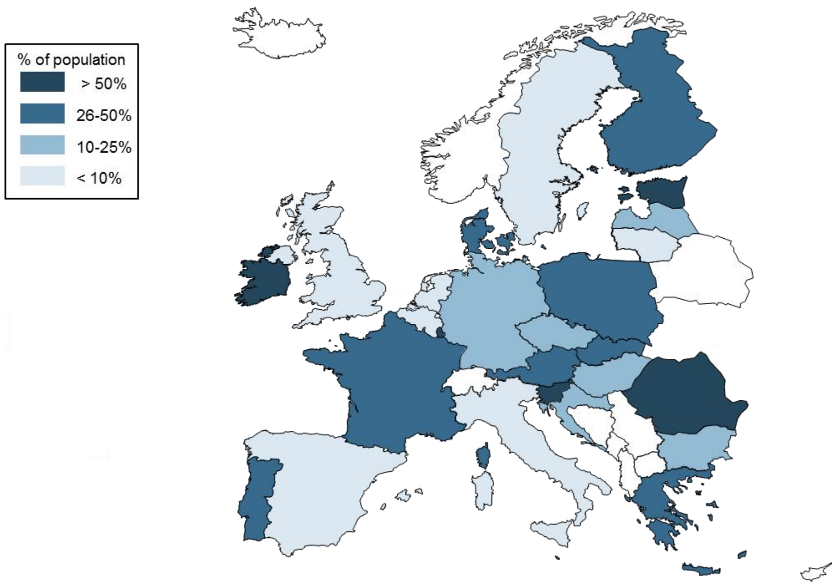
The discussion on vulnerable users is especially driven by studies in the UK where consumer associations in Wales, Northern Ireland, England, and especially Scotland conducted several studies (see Case study 7).

3.7.3 Potential share of people depending more on postal services than others in the EU

97.498 million people live in remote and rural areas"

In the EU-28, 19.2 % or 97.498 million of all people live in rural areas (Eurostat 2017). In Estonia, Ireland, Slovenia, and Romania, more than 50 % of inhabitants live in rural areas (see Figure 63). In Finland, Denmark, Poland, Czech Republic, Slovakia, France, Portugal, and Greece, more than 25 % and up to half of the population live in rural areas. We can assume that these people access the internet to a lesser extent. In 2016, 75 % of the EU-28 population living in cities were accessing the internet on a daily basis, 72 % living in towns and suburbs, but only 62 % living in rural areas.[135]

Figure 63 People living in rural areas (2017)



Source: Source: Eurostat CAP indicators update 2018. CY, LU, MT, IS, LI, NO, CH n/a.

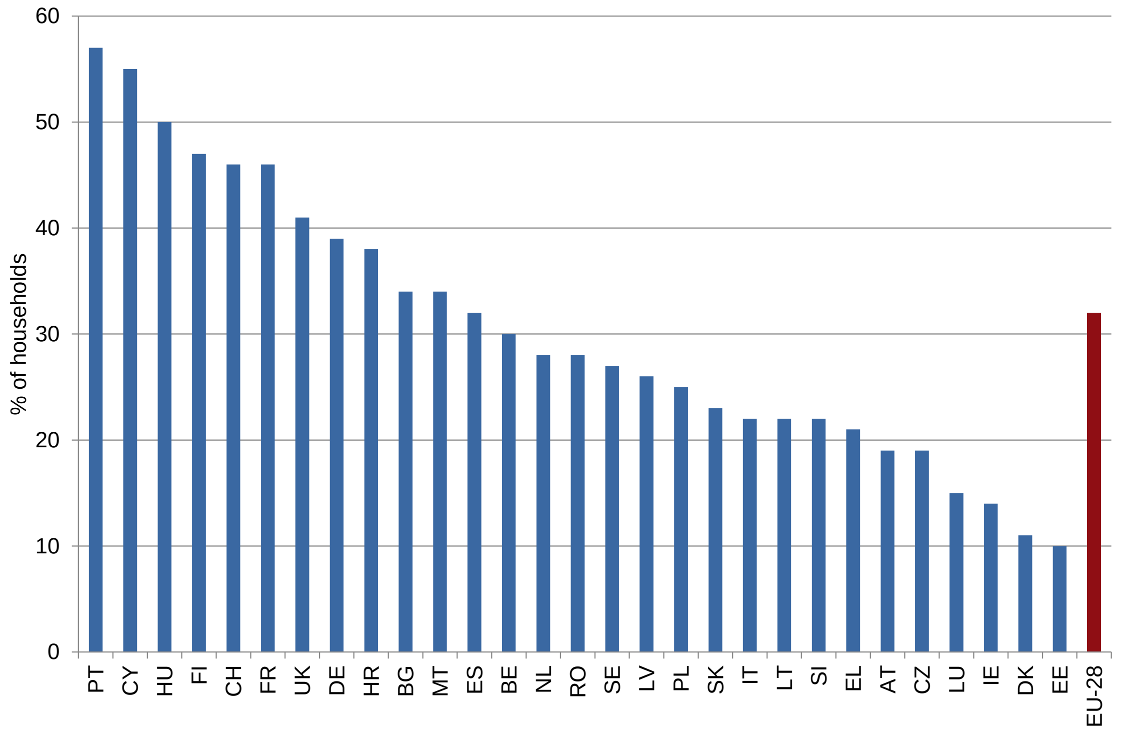
Today, internet access can neither be taken for granted anywhere nor for anyone. On average, 87 % of households in the EU have internet access (Eurostat 2018, see chap. 2.4.1 for details). A "digital divide" between rural households (82 % of households rural areas have internet access) and urban households is still evident (90 % of households in urban areas have internet access). However, a "digital divide" does not occur in all countries and we even see a reverse picture in MT or LV.

135 See Eurostat Regional Yearbook 2017, Chapter 14, Focus on rural areas. Definitions of "rural" and "remote" differ in Member States as these definitions are not standardised and have to be seen in relation to the overall economical and geographical circumstances.

Low income – from households without internet access, 32 % decided not to have internet access at home because costs are too high

In the EU, 118 million people, or 23.5 % of the EU-28 population was at risk of poverty or social exclusion (Eurostat 2016),[136] the greatest risk resulting from income poverty. The share of people at risk of poverty or social exclusion was highest in Bulgaria (40.4 %), Romania (38.8 %), Greece (35.5 %), Lithuania (30.2 %), Italia, (29.9 %), Latvia (28.6 %), Spain, Croatia (27.9 %), Cyprus (27.6 %), Hungary (26.2 %), Portugal (25.0 %) Estonia (24.4 %), and Ireland (24.2 %). The lowest proportion of persons at-risk-of-poverty and social exclusion could be stated in Czech Republic (13.3 %).[137]

Figure 64 No internet access at home because access and equipment costs are too high (per cent of households with no internet access, 2019)



Source: Eurostat. (IS, NO n/a).

Low income might imply forgoing digital devices like computers or smart phones. From all households in the EU-28 without internet access, 32 % decided not to have internet

136 Meaning they were at risk of poverty after social transfers, severely materially deprived or living in a household with low work intensity. See Key figures of Europe illustrated 2018, p. 26.

137 See Eurostat, Income poverty statistics, At-risk-of-poverty rate, 2016 (based on online data code: ilc_li01), https://ec.europa.eu/eurostat/statistics-explained/index.php/Income_poverty_statistics#At-risk-of-poverty_rate_and_threshold

access at home because, for them, the access and equipment costs were too high (Eurostat 2019)[138] (see Figure 64).

Lack of digital skills: 12 % of all individuals have never used the internet

In the EEA and Switzerland, 12 % of all individuals have never used the internet (Eurostat 2018, see chap. 2.4.1 for details). Although individuals may not use the internet for various reasons (access or equipment too expensive, no practical use for internet solutions), the lack of digital skills seems to be crucial: Costs for internet access can be saved if people use public internet access at libraries or other public places and the large variety of information and communication solutions almost rules out that there is “no practical use”.

Table 18 Individuals who never used the internet (2014-2018, in per cent)

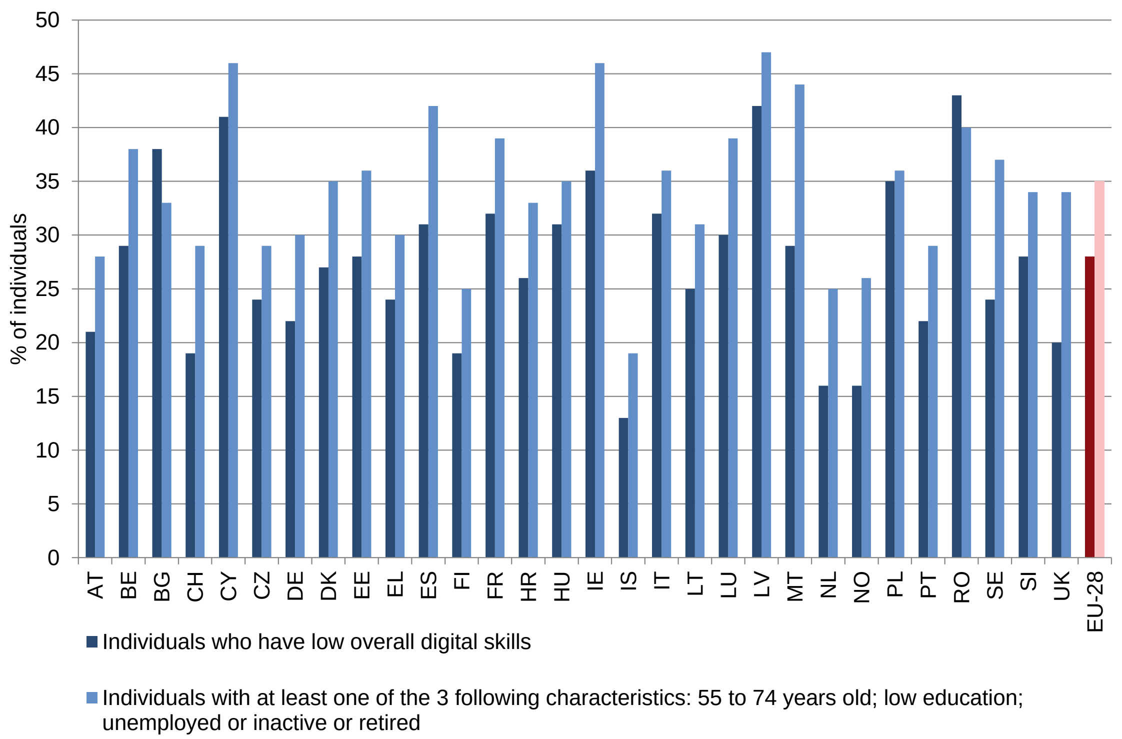
	2014	2015	2016	2017	2018
EU-28	18	16	14	13	12
AT	15	13	13	10	10
BE	13	13	11	10	9
BG	37	35	33	30	27
CH	8	n/a	n/a	4	n/a
CY	28	26	23	18	15
CZ	16	13	13	11	10
DE	11	10	8	7	5
DK	3	3	2	2	2
EE	12	9	10	9	8
EL	33	30	28	28	25
ES	21	19	17	14	13
FI	6	5	4	5	4
FR	12	11	10	10	8
HR	28	26	23	28	21
HU	22	21	19	17	16
IE	16	16	15	16	16
IS	1	n/a	n/a	1	1
IT	32	28	25	22	19
LT	25	25	22	19	17
LU	4	2	2	2	3
LV	21	18	17	16	13
MT	24	21	21	18	17
NL	5	4	5	3	4
NO	3	1	2	1	1
PL	28	27	22	20	18
PT	30	28	26	22	23
RO	39	32	30	27	21
SE	6	5	3	2	4
SI	24	22	22	18	16
SK	15	16	15	14	13
UK	6	6	4	4	4

Source: Eurostat. (LI, CH n/a).

138 [isoc_pibi_rni]

In 2016, there were more than a third of the population in Bulgaria not using the internet and only 2.1 % in Luxemburg. In RO, EL, IT, PT, PL, HR, CY, LT, SI, HU, MT, ES, LV, and IE, the share of non-users is above the EU-28 average. In SE, NL, and DK, the share of non-users is below 10 % of the population.

Figure 65 Individuals with low overall digital skills (percentage of all individuals[139], 2019)



Source: Eurostat. SK n/a.

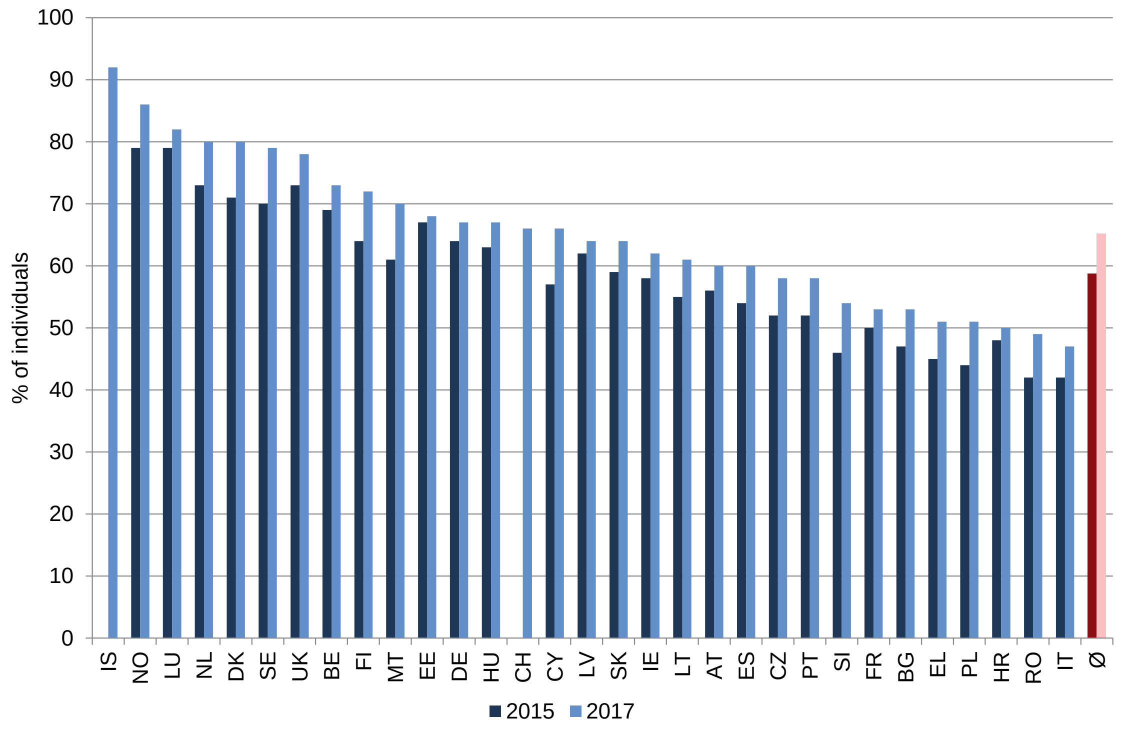
In the EU-28, the 25 % of individuals using the internet have low overall digital skills according to a Eurostat rating based on selected activities related to internet or software use in four specific areas (information, communication, problem solving, software skills). Among individuals who are either 55-74 years old, or have low education; or are unemployed or inactive or retired there are even more internet users with low skills (29 %).

The number of individuals using the internet with low overall digital skills also differs among Member States with the highest share in Ireland (37 % of all individuals) and lowest in Luxemburg (11 %). In all countries, except BG, CY, RO, CZ, PL, EL, LT, and SI the gap between the two groups is significant.

139 Rating based on selected activities related to internet or software use performed by individuals aged 16-74 in four specific areas (information, communication, problem solving, software skills).

We can assume that the non-internet users and the 25 % of individuals using the internet who have low overall digital skills are more dependent on letter mail than other postal users and will not easily switch to digital alternatives. Digital skills are not only important to use simple applications like e-mail but also to select and buy digital devices and to configure software to be used for communication. Users with low digital skills might also not, or only occasionally, use e-commerce offers.

Figure 66 Individuals who have above basic communication skills, 2015-2017



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. For IS and CH, data are only available for 2017.

Given the findings from the data presented above, one would expect that people's communication skills and overall digitals skills have also improved in recent times. Firstly, Figure 66 shows that this is the case as the shares of individuals with above basic digital communication skills have increased in all countries in the sample (where data available) between 2015 and 2017. Communication skills are determined by taking account of individuals' activities regarding sending/receiving e-mails, participating in social networks, telephoning/video calls over the internet, and uploading self-created content to any website to be shared. Above basic communication skills means that an individual participates in more than one of the previously mentioned activities. From the evidence, Iceland has the largest share of individuals with above basic communication skills at 92 %, while Italy has the smallest share at 47 %. On average, the proportion of individuals with above basic communication skills in the sample countries increased from 59 % in 2015 to 65 % in 2017.

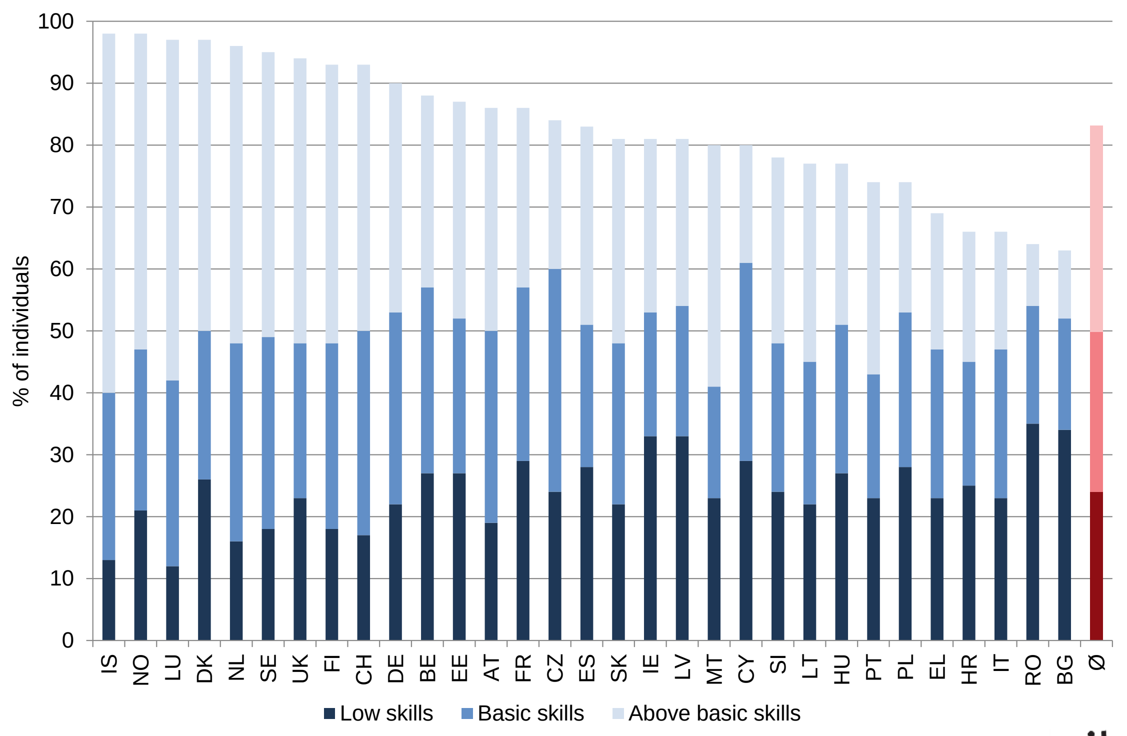
Table 19 Individuals in the EU-28 countries with above basic communication skills, by age group, 2015-2017

% of individuals	2015	2016	2017
16-24 years	86	86	89
25-34 years	78	79	83
35-44 years	64	66	71
45-54 years	50	53	57
55-64 years	36	38	42
65-74 years	23	24	27
All age groups	56	58	61

Source: Eurostat.

Across the different age groups for the EU-28 countries, on average, there have also been increases in the shares of individuals with above basic communication skills between 2015 and 2017. The age group with the largest share of individuals for this indicator is the 16-24 year old with 89 % in 2017. As may be expected, the shares of individuals with above basic communication skills are smaller in the older age groups, but the shares have still increased within each age group (see Table 19).

Figure 67 Individuals' level of overall digital skills, 2017



Source: Eurostat.

Note: Ø measures the average for EU-28 plus IS, NO and CH. Most recent data for IT is 2016.

Finally, Figure 67 presents individuals' level of overall digital skills in 2017 for each country in the sample. Overall digital skills are determined by taking account of the combination of the four domains comprising of information skills, communication skills, problem-solving skills, and software skills as defined by Eurostat (2019).[140] "Above basic" skills in this case refer to having "above basic skills" in all four of the mentioned domains, "basic skills" refer to having at least one classification of "basic skills" but no classification of "no skills" in all four of the domains, and "low skills" refer to having "no skills" in one to three of the four domains. Furthermore, the remainder of the individuals that could not be classified within these skill levels is due to individuals that had not used the internet in the last three months and as a result could not be assessed for the purposes of calculating the overall digital skill indicator.

From Figure 67, the data show that Iceland recorded the largest share of individuals with above basic overall digital skills at 58 %, followed by Luxembourg at 55 % and Norway at 51 % as the only countries with shares above 50 %. On average, the proportion of individuals with above basic overall digital skills in the sample countries increased from 30 % in 2015 to 33 % in 2017, while individuals with low and basic skills

140 Eurostat. 2019. Individuals who have basic or above basic overall digital skills by sex (tepsr_sp410). Available at: https://ec.europa.eu/eurostat/cache/metadata/en/tepsr_sp410_esmsip2.htm.

in 2017 amounted to 24 % and 26 % respectively. The countries with the smallest shares of individuals with above basic overall digital skills were Romania at 10 % and Bulgaria at 11 %.

For a summary of socio-demographic factors of non-internet users, we conclude that the same factors influence internet adoption in all Member States, but to a different extent. The socio-demographic profile of non-internet users, i.e. 12% of the EU-28, shows a lot of similarities over the different countries. The countries with a share of non-users well above the EU-28 average are BG (27% non-users), EL (25%), HR (21%), PT (23%), and RO (21%).

Most users mention that access or equipment is too expensive. The second reason for not using the internet is that users feel they have no practical use for internet communication. Thirdly, the share of individuals with above basic digital communication skills have increased in all countries but they are lower in countries with many non-users. To sum up, the main determining factors for not using the internet are

- fewer financial resources
- individual preferences to communicate
- lower level of education or digital skills

All these factors are likely to be combined in certain age groups (elderly people above 55 years), countries with lower GDP than EU average, or rural regions. Member States with higher risk factors in this area are, among others,. RO, EL, IT, PT, PL, HR, CY, LT, SI, HU, MT, ES, LV, and IE where the share of non-users is above EU-28 average.

Reduced mobility: more than 74 million disabled and 105 million people over 65 years.

People with reduced mobility, i.e. elderly people, people with physical or other disabilities[141], are more likely to be dependent on the current quality service level of the USO. For example, these people might be more dependent on frequency, speed and time of delivery but also on a nearby postal outlet.[142] European statistics are not available but statistics on disabled people and on the population over 65 years might give an indication of the share of people with reduced mobility.

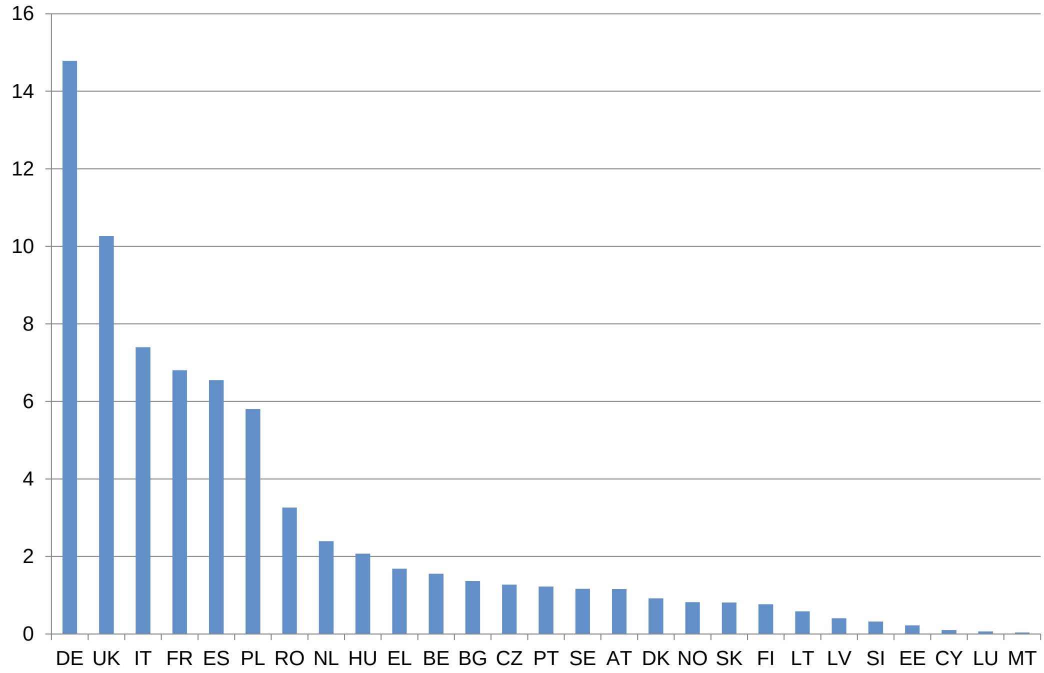
The most recent statistic on disabled people defines around 74 million people within the EEA as disabled (Eurostat 2012, see Figure 68). As the definition of "disabled" varies

141 In Eurostat statistics, disabled persons are defined as people having a basic activity difficulty (such as seeing, hearing, walking, communicating).

142 The Postal Services Directive requires that the "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." (Article 3 (2)). This fairly general requirement leaves it up to the Member States to define more detailed requirements according to the user needs.

among Member States, the degree of disability cannot be determined and the number of disabled peoples in a Member State depends on this definition and does not reflect necessarily an objective status. In Germany, there are more than 14 million disabled people, followed by the UK (10.3 m), Italy (7.4 m), France (6.8 m), Spain (6.6 m), and Poland (5.8 m). In DK, NO, SK, FI, and LT, there are fewer than one million disabled people, while in LV, SI, EE, and CY fewer than 500.000, and in LU, MT and IS fewer than 100.000.

Figure 68 Disabled people (in million, 2012)[143]



Source: Eurostat. CH, HR, IE, LI n/a

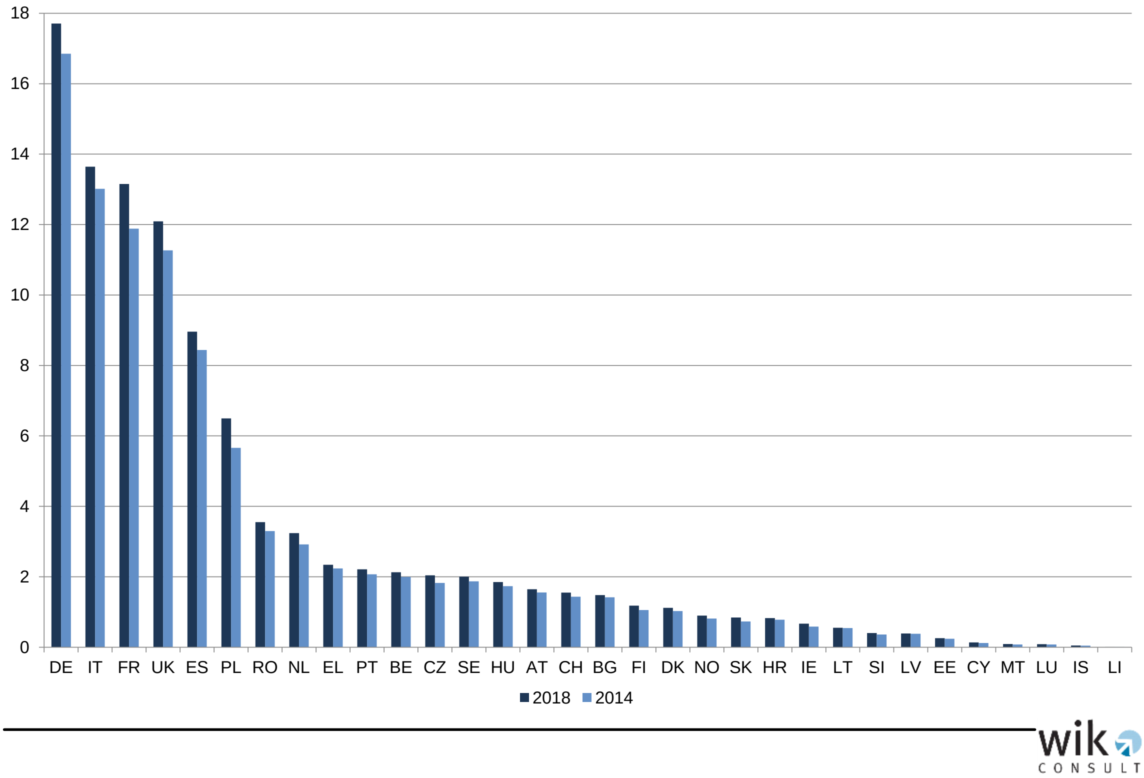
We can expect a rise in the size of populations with special needs and especially with reduced mobility as we see an ongoing process of population ageing in the EU due to higher life expectancy and partly falling fertility rates. Population ageing is monitored increasingly because it will become a central pillar of policy development in future. The effects of this phenomena have implications, for the time being, on the discussion about postal user needs as elderly people are less digitally skilled and therefore less expected to substitute their communication by internet-based solutions within the next 5 to

143 The graph shows the most recent data available on Member State level. Other organisations like World Bank (2011), WHO (2018), OECD (2010) published also studies on disability but with a different focus, e.g. on poverty and exclusion, integration into workforce, or health issues. According to WHO, 15% of the world population live with some kind of disability, https://www.who.int/news-room/facts-in-pictures/detail/disabilities.

10 years. However, this is changing quite rapidly along the overall demographic trend and more and more of tomorrow's elderly will have digital skills.

In the EEA+CH, the population of people over 65 years increased by 9.4 % from 96 million in 2014 to 105 million people in 2018. Large Member States like DE, IT, FR, the UK, ES, and PL not only show the highest absolute figure for people over 65 years but also higher growth rates than other Member States (see Figure 69).

Figure 69 Population over 65 years (in million)



Source: Eurostat.

However, the willingness to use the internet and digital skills are rapidly changing in this age group. Eurostat statistics show that, in 2016, close to half (45 %) of those aged 65-74 years in the EU-28 used the internet at least once a week and 26 % made use of internet banking, compared to a decade earlier in 2006, when just 10 % of the elderly population was using the internet at least once a week.[144]

We see a digital divide between Northern and Western Member States on one hand and Southern and Eastern Member States on the other. In Luxembourg (88 %), Denmark (81 %), Sweden (80 %) and the Netherlands (77 %), more than three quarters of the elderly population aged 65-74 years used the internet at least once a week in

144 See Eurostat „Senior citizens online - Silver surfers“, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=People_in_the_EU_-_statistics_on_an_ageing_society#Senior_citizens_online_.E2.80.94_silver_surfers

2016. On the other hand, in Croatia, Greece, Romania and Bulgaria, no more than 16 % of this group were online at least once a week. The lowest shares are seen in Lithuania and Poland (both 23 %).[145]

Case study 8:	Provision of a free postal service for the use of blind and partially-sighted persons

Provision of a free postal service for blind or visually impaired people and their charit**y organisations** existed long before the Postal Services Directive in many Member States. The Postal Services Directive states that the "Member States may maintain or introduce the provision of a free postal service for the use of blind and partially-sighted persons" (Article 12).

The World Health Organisation indicates 2,550,000 blind people and 23,800,000 low vision people in geographical Europe (2010). The EBU estimates a growing number of visually impaired individuals due to an increasing elderly population and tends towards a number of 30 million today.

Blind or partially sighted persons and registered charities have access to defined postal products delivered for free. Weight limits and size limits might apply. A common format are parcels up to 7 kg. Maximum dimensions may vary at Member States postal operators. Some postal operators offer free collection from home (e.g. Royal Mail, Deutsche Post). Services can be combined with other products, e.g. registered letters.

Usually, customers have to be registered and deliver proof of their condition to use the scheme. Items entitled to be sent are, e.g. books, papers and letters – in Braille script or in large print (minimum font sizes apply), audio or video especially prepared for blind or partially sighted people (e.g. recording of readings from books, newspapers etc.), in some Member States also equipment.

Items have to be addressed by name (addresses like "the occupier" or "the addressee" are not possible) and should be labelled, i.e. "Articles for the Blind" for national and "Articles for the Blind – Cécogrammes" for international post. They may be covered against loss or damage up to a defined amount for an extra charge. All items can be subject to inspection, so they must be left open, or be easy to open and re-seal.

Interviewed stakeholders emphasise how important the free service is as most persons concerned also belong to the group of low income people. The EBU states that the average unemployment rate of blind and partially sighted persons of working age is over 75 per cent. Almost all publishers and libraries for this group act on a not-for-profit basis. The specialised libraries have very large reference areas and are much more frequented by postal service because of their users.

National and international services are included. Since international negotiations about a set of limitations and exceptions to traditional copyright law for the production and international transfer of specially-adapted books for people with blindness or visual impairments were successfully completed with the Marrakesh treaty, libraries observe an increasing demand from abroad. The EU has implemented the Marrakesh treaty for people with print disabilities with Regulation (EU) 2017/1563.

Accessibility of information and documents in special formats is crucial for the blind and visually impaired and the size of braille letters, newspapers and books is a lot larger than a standard letter (e.g. a DIN A 4 size large letter might become the size of a magazine, a book several larger parcels when printed in braille. For instance, the book "Harry Potter and the Half-Blood Prince" by Joanne K. Rowling makes a stack about twice as high as a coffee cup). In effect, most postal items are small packages or parcels. In the case of the small group of blind and deaf people, newsletters by letter post remain one of the main elements for

145 See Eurostat „Senior citizens online - Silver surfers", https://ec.europa.eu/eurostat/statistics-explained/index.php?title=People_in_the_EU_-_statistics_on_an_ageing_society#Senior_citizens_online_.E2.80.94_silver_surfers social inclusion. For example, the German association for the blind and visually impaired sends out daily political newsletters to around 50 people of this group.

Affected patients stress the need to have access to affordable information in special formats (either in large print, braille, or special audio formats). Not everything can be substituted by standard technological alternatives (e.g. standard audio books). For example, audio books are specially prepared because they include additional descriptions in DAISY (Digital Accessible Information System) format. This is a technical standard for digital audiobooks, periodicals, and computerised text with additional embedded navigation levels.

Sources: WIK research based on interviews with stakeholders, website service offers of postal operators (e.g. Deutsche Post DHL, La Poste, Royal Mail, Swiss Post), WHO (2010), Visual Impairment and Blindness, European Blind Union – EBU, Deutscher Blinden- und Sehbehindertenverband e. V. (DBSV), Regulation (EU) 2017/1563 of the European Parliament and of the Council of 13 September 2017 on the cross-border exchange between the Union and third countries of accessible format copies of certain works and other subject matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print-disabled.

Research question 3: **In the absence of the USO, are there specific user groups more likely to not have any access to these services than others? What percentage of the population would they represent? Where are they located and what would be the volumes they would generate? Are these groups likely to increase or decrease in the future?**

As long as the universal service obligations cover specific products and all customer groups alike, nationwide and cross-border specific user groups more likely not having any access to postal services will probably not exist. Postal services will be provided for all. If changes of the USO especially affect certain user groups who depend more on postal service than others, depends on the changes and on whether these groups have access or already use digital alternative solutions.

A digital divide affecting certain user groups can still be perceived

- geographically between Northern and Western EU Member States on one hand and Southern and Eastern EU Member States on the other
- between people with reduced mobility as well as elderly people and others
- between broadband coverage in rural and remote areas compared to urban areas
- between people lacking digital skills or not wanting to use digital solutions, although demographic change partly diminishes this group naturally
- for people with low income who cannot afford ICT equipment and internet access.

Based on current statistics, it is not possible to determine the group of potential vulnerable users, neither individuals nor small and medium enterprises. Many of them will migrate to digital solutions in the long-run not only to catch up with the overall trend but also to profit from e.g. e-commerce, devices that compensate disabilities or just to enjoy communicating via video and audio. On the other hand, people who would like to engage in e-commerce, but live in remote or isolated areas will have difficulties today to get access to broadband connection to order online. For their delivery, they will mostly rely on universal service providers, at least for return solutions.

Postal services can only partly compensate shortcomings of digital developments and policy makers are already developing and implementing comprehensive strategies addressing overall broadband coverage, digital qualifications, or public access to internet (e.g. in libraries).

The legacy of free shipments for the group of blind and partially-sighted persons, on the other hand, should be treated as a topic apart from the discussion of vulnerable users. This group is dependent on postal services, mainly parcels, and it could be discussed how this traditional service might also be provided in the competitive parcel market.

Summary and conclusions

In light of progressing digitisation and e-substitution, specific user groups are likely to remain more dependent on postal services than others and may become so-called “vulnerable users” of postal services. These user groups become vulnerable if they experience digital exclusion. People with low income might not have the means to invest in computers or smart phones as well as broadband connection for access to digital government services. Some might lack the skills and know-how for using digital solutions. People living in remote and rural areas might not benefit from broadband access. Clearly, some of these factors matter more to elderly people than younger people. People with disabilities or reduced mobility might also be more affected by the transition towards a more digital society. At the current state of scientific knowledge and available statistics regarding vulnerable users, the group of potential vulnerable postal users during the next 5-10 years cannot be quantified without further research and in-depth surveys on Member States level.

It would, however, be incorrect to blame digital achievements for social exclusion alone because innovative solutions also offer numerous opportunities. They facilitate staying in touch with friends and family in various ways, bring access to government services to people in rural and remote regions, enable shopping from far away shops and even abroad, and empower people with disabilities by offering all kinds of internet (audio and video) services based on new innovative devices at low costs.

3.8 Key findings: Despite their changing communication habits, postal users still desire a ubiquitous postal service

Overall, the research and survey show high overall satisfaction with current USO provisions – depending on habits, traditions, and cultural practices. Postal users are conservative and like the postal service in their country to stay as it is. They hardly consider changes to be necessary and, in fact, they do not or cannot compare their situation to other countries. This “cognitive bias” implies a low willingness to think about alternatives to the current service quality levels.

In the last five years, many NRAs, in more than half of the countries surveyed, have commissioned postal user surveys, mostly targeting private and small business users. The WIK literature review confirms the conclusions on future trends of the ERGP (16) 36 report.

The surveys show that it is still important to send and receive postal items for postal users, however, there is a general shift from letter to parcel services and this trend will remain in the forthcoming years. E-commerce markets will grow in the number of shipments, national and cross-border, while the volume of letter mail will be reduced.

Generally, business users are more demanding with regard to delivery frequency and speed of delivery while individuals request more flexibility in collection and delivery time. Private users receive an increasing number of parcels with the consequence that they request more flexibility in delivery time, delivery location and accessibility of postal outlets in terms of opening hours (for collection and sending parcels including e-commerce returns).

The review and the WIK stakeholder online survey provide some indications on future trends in postal user needs:

- In principle, being connected to the postal infrastructure with the possibility to send and receive postal items is of particular importance for private and business users.
- Letters are still important for some user groups (large senders, SMEs, vulnerable users) as they cannot reach all customers with alternative e-substitutes, and are expected to remain important, but there is a broad variation of user needs for letter services between Member States.
- There is broad consensus for home delivery of letters among individuals. Compulsory changes will probably not be acceptable in future.
- Home delivery of parcels is also preferred by many consumers. However, in some postal user groups, there is not only acceptance but also demand for additional alternative delivery points that may better fit into working and living circumstances. In this context, private users desire more flexibility in opening hours and days of postal outlets to facilitate the collection of registered items and parcels.
- Delivery frequency is less important than speed of delivery for the respondents of the WIK Stakeholder online survey. However, there is a mixed picture on the need of five-day delivery of postal items in Member States' postal user surveys. In some Member States, an increasing share of postal users are willing to accept less than five day delivery per week, while in others, postal users still prefer to keep daily delivery. This outcome reflects a growing range of possible weekly delivery frequencies and may request for more flexibility in the minimum standard defined in the Postal Services Directive.
- Overall, it appears that a slower delivery standard than overnight delivery is acceptable for many postal users. However, postal users prefer having the choice between overnight and slower delivery services. There are indications that postal users would accept slower delivery standards if delivery happens in a predictable way, i.e. that the item is reliably delivered on a certain day.
- To keep the postal outlet network in its current density is considered "important" by the WIK Stakeholder online survey participants, but in some countries respondents seem willing to accept reductions. Postal users indicate that they

need postal outlets especially for e-commerce returns. The need for postal outlets is also often driven by the requirement to keep a (governmental) nationwide network for service provision or for financial services.

- Vulnerable users are, in the light of progressing digitisation and e-substitution, specific user groups which are likely to remain more dependent on postal services than others and which may be affected more by changes in universal service obligations than others due to their socio-economic situation. The group of potential vulnerable users combine characteristics like low income, lack of digital skills, living in remote and rural areas, and reduced mobility/disabilities. The size of the group experiencing digital exclusion, and thus being more dependent on postal services, cannot be quantified without a dedicated survey (if at all). We can also assume this group to diminish over time because of demographic changes. Potentially positive effects have to be taken into account as well – digital solutions can compensate for negative personal living conditions.
- Universal service features that could be reduced: To most respondents in our survey, the speed of delivery plays a minor role. Half of respondents could imagine to reduce this feature in 5-10 years if letter decline continues. Respondents rate the scope of delivery as a feature which is most important to them. Only 14 % of respondents think the scope should be reduced in 5-10 years if letters become less frequent.

4 Analysis of the need for universal service obligations

This chapter compiles and evaluates the results of our research with respect to the future need for a universal service, i.e. in 5-10 years, and the need to impose universal service obligations in postal legislation as a result of markets failing to meet the objectives of social and territorial cohesion. In doing so, it builds upon information in other parts of this report, notably chapter 3 (tomorrow's user needs), section 2.5 (future expectations for postal markets), and relevant sections regarding the evaluation of regulatory aspects in chapter 5. Our analysis includes discussion on prices, frequency, speed of delivery, and density of the postal network. Wherever reasonable, it refers to the relevant chapters where the underlying facts are presented and refrains from repeating these facts. However, some repetition may be deemed useful in order to avoid distracting the reader's attention.

This chapter addresses six fundamental issues in the context of the following three underlying questions:

- Which postal services will inevitably be provided by market forces and whether there are cases of market failure or social need where regulatory intervention is necessary
- Where changes and revisions in the scope of the existing USO may be needed to meet emerging user needs/adapt to changing needs
- How to consider users whose needs may not be served by a purely commercial provision of postal services (whose needs will be especially affected if the USO is changed)

The objective of this chapter is to present our analysis and assessment with respect to following six fundamental societal and user-driven questions:

1. Who are the "vulnerable users" that depend on universal service in different Member States? Would they require a specific minimum level of USO? How can the territorial and social cohesion aspects be defined?
2. What are the societal needs (e.g. need for information, for connection to commerce/authorities/social resources) to which postal universal service is meant to respond? What are the particularities of USO in the postal sector compared to other sectors?
3. Given technological development and innovation, could the societal need be met, in part, through services in other areas than traditional paper-based postal services (electronic communications)?
4. What would absence of a USO imply for supply and quality of universal services, and for particular segments of users? What postal services would be provided in the absence of the USO? Which services are contingent on the existence of

regulatory requirements? Which services are likely to continue to be needed by users and what are the regulatory options for their provision?

5. What are the baseline services of the USO, i.e. what minimum requirements to guarantee universal service to all citizens at an affordable price and certain quality must be included for the concept to make sense (and what may be eliminated)?

6. Given the analysis of how the needs and behaviour of consumers have changed, what changes should be made to the USO as a consequence?

Historic development: Changing focus in the political aims of universal service

Looking back on the year 1993 and the Green Paper for postal services[146], what stands out are the different operations providing universal service in each Member State, which have evolved independently. To avoid problems for mail passing across borders between Member States, the European Commission consequently sought to harmonise services and defined a minimum level of universal service features. As described in detail in chap. 5.4.1, this aim was endorsed successfully with the Postal Services Directive (‘guarantee at Community level a universal postal service encompassing a minimum range of services of specified quality’ (Recital 11, 97/67/EC)). However, the scope of universal services in Member States has remained very different until today (see Table 23Table 23). Until recently, the different scope of USO products and service types had not affected the improvement of cross-border postal services within the EU. This only changed since 2014, when some Member States introduced other than five-day delivery services per week which led to a slightly reduced cross-border letter service quality.

As the number of countries with a reduced set of services has grown since 2014, this can be perceived as a sign of diminished user needs for postal services (at least in some Member States). As a consequence, the political perspective of achieving more harmonisation and higher service quality for postal services shifted the question to how universal service – if any at all – has to be defined and regulated in future.

ICT became more significant to social and territorial cohesion than postal services

In the 1980s and 1990s, there were no important substitutes for letters, and it was entirely undisputed that a universal postal service was needed to facilitate that all citizens, businesses and government offices are able to communicate among each other. During political discussions at that time, this was also referred to as ‘social

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146 Commission of the European Communities, Green Paper on the development of the single market for postal services (1993) COM(91) 476 final.

cohesion' or 'territorial cohesion', meaning that postal services need to be provided to all parts of society, and all areas of a country.[147]

Today, this still holds true, but to a minor degree. Information and communications technology (ICT) has gained greater significance for effective business communication and everyday private communication. Plans on fostering social and territorial cohesion no longer focus on postal sector development but on the level of digitisation in Member States.

To achieve economic, social and territorial cohesion throughout the EU, the European Commission monitors the development in its cohesion reports.[148] The 7th Report on Economic, Social and Territorial Cohesion (2017) reflects primarily on the adoption of the digital revolution and points out the lack of sufficient access and competition regarding broadband coverage. Digitisation is considered to be the trend that influences the economic development of regions. Postal services seem to be taken for granted and its impact on territorial and social cohesion is not investigated in this report.

This means, the political focus for achieving social and territorial cohesion has shifted from postal services to telecommunications services since the introduction of the Postal Green Paper. In this study, we will discuss how the remaining user needs will be met by the existing universal service or how this could change in future.

Risk of "market failure" in terms of insufficient basic postal services for all and everywhere did not occur

The notion of universal postal service has been at the core of EU postal policy ever since the beginning of discussions in 1988 that led to the development of the Postal Green Paper, which introduced a common EU policy for the postal sector. At the time, postal services were provided by government entities that enjoyed monopolies for providing postal services. In the 1980s, amid increasing demand, the introduction of new sorting technologies, and the privatisation of the public postal operator in the Netherlands, a belief had formed among some stakeholders that postal services can be a commercial business rather than an administrative duty on governments. However, this case was made by a progressive minority at the time, and absent any real market experience, it was uncertain to all parties whether postal services could actually be provided as a profitable business. Given this uncertainty, ensuring that postal services

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147 See https://ec.europa.eu/regional_policy/en/policy/what/glossary/e/economic-and-social-cohesion The Treaty of Maastricht 1992 implemented the cohesion policy of the EU. Its objective is to reduce structural disparities between regions and Member States through a variety of operations that are financed by the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund.

148 See 7th Report on Economic, Social and Territorial Cohesion and other reports. Download: https://ec.europa.eu/regional_policy/index.cfm/en/information/publications?title=&themeId=0&typeId=14&countryId=0&periodId=0&fundId=0&policyId=0&languageCode=en. Postal services are not mentioned explicitly. in the 7th report.

would be continued and improved was a serious concern and a major political priority by that time. Such 'market failure' was perceived as a potential risk for the provision of a basic postal service for all and anywhere if new companies would enter the market after liberalisation. The term 'market failure' is used in this report to describe a situation where an unregulated market would provide a level of service that falls short of a politically desirable level of service that reflects the needs of users, including vulnerable users. We acknowledge that is an entirely different meaning compared to 'market failure' that commonly describes, in economic theory, the failure of markets to produce efficient outcomes (where suppliers' marginal costs match consumers' marginal utility), typically due to structural deficiencies such as strong market power or external effects.

Today, we see that such risks were overestimated. There is no evidence for market failures, even in Member States where no designation occurred (see answer to Research question 7). Since the Postal Services Directive was established in 1997, there have been improvements of service levels for postal users. While prices have been kept under control (see section 5.4.4.1), transit times have improved both nationally and internationally (see section 5.4.2.1). Changes in user behaviour and a strong decline of letter volumes throughout the EU have left their mark on postal markets, but at the same time users are less dependent on postal services than in the 1990s. The density of postal outlets and frequency of delivery have been reduced to some extent in recent years, but there are mechanisms in place to ensure vulnerable users have access to postal services. Additionally, exemptions to universal service requirements are monitored by regulators (see section 5.4.1.1).

Overall, quality of service statistics in all Member States show a sufficient level, also in Germany where Deutsche Post is not a designated operator for universal service. Our analysis of prices, frequency, speed of delivery and density of the postal (outlet) network in chap. 2.1, and the evaluation of the regulatory framework in chap. 5 confirm the absence of 'market failure'.

Definition of the term 'universal service obligation'

In this study, we generally use the terms 'universal service obligation (USO)' or 'USO on operators' to mean specific obligations imposed on operators (USPs) by legislation, e.g. by licence, legal requirement, or contract. By contrast, 'USO on Member States' refers to a requirement in the Postal Services Directive for Member States to ensure a service is provided. Member States in turn may ensure universal service by imposing (some of) the obligations on specific operators, or rely on market forces to provide (parts of) the service.

The following sub-chapters present analyses on how the need for universal service obligations might change over the next 5 to 10 years and what this requires from stakeholders and policy makers:

1. Vulnerable users, territorial and social cohesion

2. Societal needs for universal services
3. Electronic communications as substitutes for postal services to meet societal needs
4. What would the market provide in absence of the USO?
5. Features of universal service that are needed in future
6. Given the analysis of how the needs and behaviour of consumers have changed, what changes should be made to USO, as a consequence?

4.1 Vulnerable users, territorial and social cohesion

Who are the "vulnerable users" that depend on universal service in different Member States? Would they require a specific minimum level of USO? How can the territorial and social cohesion aspects be defined?

A general objective of universal service is to protect 'social cohesion' and 'territorial cohesion' as well as to make sure no customers are excluded from universal postal services. Such users that face risks to be excluded from universal service are sometimes referred to as 'vulnerable users'.[149] Since research on vulnerable users (that has taken place almost exclusively in the UK among SMEs and private users in rural and remote areas, see Case study 7 „Vulnerable postal users in UK") relate to social groups (low income) and specific geographies (inhabitants of small islands or remote areas), there is an inherent overlap between the objectives of social and territorial cohesion on the one hand, and protection of vulnerable users on the other hand.

Based on the research presented in section 3.7 of this report, we identify five types of vulnerable users that may face considerable risks of being excluded from postal services in an unregulated, commercial market:[150]

1. The 97.5 million inhabitants of rural remote areas in the European Union may face a risk of being charged high surcharges for deliveries to their homes or postal outlets nearby. This is particularly a concern for low-income inhabitants of remote rural areas. As explained in sections 2.4.1 and 3.7.3, only 82 % of households in rural areas have internet access compared to 90 % of households in urban areas.

149 See also our definition in this study in chap. 3.7.1.

150 Note that there is experience with postal markets without a USO of specific operators only in one country: Germany. In Germany, Deutsche Post has voluntarily committed itself to providing nationwide universal service without compensation. This experience, of course, does not exclude the possibility that current universal service providers in other Member States may exclude some users from universal service if their USOs were revoked. That said, any projections for the future are necessarily speculative, and we have tried, in cases of doubt, to err on the side of being overly cautious in the interest of potential vulnerable users.

2. Inhabitants of remote rural areas may face a risk of not being served home delivery or having to incur long travel times to send postal items from the nearest (but not so near) postal outlet. In EE, IE, SI, and RO more than 50 % of inhabitants live in rural areas. In FI, DK, PL, CZ, SK, FR, PT, and EL more than 25 % and up to half of the population live in rural areas (see Figure 63). Pick-up of letters and parcels from a parcel shop or parcel station is an alternative welcomed by receivers who are not at home during usual delivery hours due to e.g. education/training or working hours. Our research in previous studies showed that carriers started to offer new delivery options in urban areas but will probably not extend all new options to rural and remote areas.[151]
3. Persons that lack digital skills may face decreases in postal service quality (routing time) that may not be as important to them as to users of digital services. In the (non-EU) EEA and Switzerland, 12 % of all individuals have never used the internet (Eurostat 2018, see chap. 2.4.1 for details). The highest number of non-internet users (> 20 % of the population) we find in BG, EL, HR, PT, and RO.

Today, the needs of these three groups of users are covered by the existing universal service which is designed to cover all user groups and geographic regions at the same service level.

Within the group of all postal users, we see two specific user groups who tend to have a need for higher service levels than others. These groups should be considered in political discussions to profit from a specific service quality. In particular, their interests should be considered by domestic legislators or regulators in setting standards for the minimum density of access points to universal service, minimum routing time standards, and uniform tariff requirements.[152]

1. Persons with reduced mobility may face particular difficulty reaching the nearest post office if requirements for the density of postal outlets were reduced.

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151 See 'Auswirkungen der Digitalisierung auf die Zustelllogistik‘, [The effects of digitisation on delivery logistics.] WIK Diskussionsbeitrag Nr. 433, Bad Honnef, November 2018 and WIK (2016), Technology and change in postal services –impacts on consumers, study for Citizens Advice, p. V (“It should be noted that many of the potential delivery solutions mentioned above are characterised by a major disparity between urban and rural areas. Most solutions are designed for highly-populated areas, such as click-and-collect stores, parcel lockers or same-day deliveries. This leaves consumers in thinly-populated rural and remote regions at a disadvantage and/or facing surcharges for some types of delivery services.”)

152 It should be noted that current issues with high surcharges for deliveries to remote areas relate to other carriers than universal service providers. In order to avoid high surcharges for deliveries, therefore, direct subsidies to receivers could present an alternative to uniform tariff requirements because they can compensate for the cost that vulnerable users face with all carriers, not just the USP. If surcharges concerned only small areas (such as an island), local initiatives to collect mail for all islanders from a central address on the mainland, can be a cost-effective alternative to such subsidy schemes, or uniform tariff requirements.

2. Visually impaired persons that currently receive Braille documents free of charge may face significant costs for the delivery of these documents if this special requirement within universal service provision would be discontinued (Braille documents are bulkier and heavier than documents printed with ink and have to be sent as parcels)

These two groups require specific service levels that could be addressed in universal service requirements, specifically:

- To protect the interest of visually impaired persons, universal service requirements could specifically (continue to) require postal service for this group remain free of charge, at subsidised tariffs.[153] As explained in Case study 8: "Provision of a free postal service for the use of blind and partially-sighted persons", this group suffers disadvantages as a result of the fact that they have to send their correspondence in parcels instead of letters. Specialised libraries for this group send their Braille books within their language group and profit greatly from the specific regulation of the current Postal Services Directive.
- To ensure that postal outlets are accessible for persons with reduced mobility, Member States may require that accessibility standards for public buildings (that require ramps, lifts, etc., for public buildings in some but not all Member States) are made mandatory for postal outlets as well. The impact of demographic change all over Europe underpins the need for more adequate provision for people with physical disabilities. In some cases, companies running postal outlets might already have taken such measures. Accessibility of postal outlets or provisions regarding the density of the network is not included in the current Postal Services Directive which could be best solved on Member State level.

Apart from including specific groups, the postal service and other communications networks contribute to the overall social cohesion in a country. Factors of overall social cohesion are, for example, social relations that focus on a common ground and connectedness either in a social sense or by technical solutions for communications.[154] First of all, evidence suggests that there is a strong correlation between the gross domestic product (GDP) in a country and social cohesion. Thus, the most innovative countries are the ones in which social cohesion is strong. For example, in an innovative country the educational level, economic innovation and infrastructure related to information and communications technology are high. The 7th European Commission's cohesion report highlights access to information and communication[155] as a necessary

153 This is included as a possibility, not a requirement in the current Postal Services Directive (Art. 12 first indent): 'Member States may maintain or introduce the provision of a free postal service for the use of blind and partially-sighted persons.'

154 See Bertelsmann Stiftung, 2013, Social Cohesion Radar. Measuring Common Ground. An International Comparison of Social Cohesion.

155 See European Commission, 2017, My Region, My Europe, Our Future. Seventh report on economic, social and territorial cohesion.

prerequisite. A reliable and comprehensive communication network is the basis for economic growth and for achieving a high level of education and knowledge in a society. As letters are ubiquitous and will remain the means of communications of last resort, the postal service is without question the most socially inclusive way of communication. The preconditions for using the service for individuals or businesses are low, both as regards skills and resources (pen, paper, basic literacy, postage). Anyone who is registered in a country or can provide an address where the postal item can be delivered can receive letters or parcels (even homeless people). Postal outlets enable anyone to send their items too.

By connecting all geographical areas within a country and even all over Europe and worldwide, it creates the prerequisites for territorial cohesion and a uniform economic infrastructure. To keep the level of social cohesion in a country, the postal universal service will play a crucial role in the next 5-10 years and beyond.

4.2 Societal needs for universal service

What are the societal needs (e.g. need for information, for connection to commerce/authorities/social resources) to which postal universal service is meant to respond? What are the particularities of USO in the postal sector compared to other sectors?

The objective of the universal service obligation is to make sure that all citizens have access to postal services and that societal needs are met. The Postal Services Directive lists a number of general principles and leaves it to the Member States to define the scope of the universal service obligation according to the societal needs. Communication is one of the main basic societal needs and when discussing the need for a postal universal service this element is often more highlighted than the element of sending or receiving goods.[156] Communication by post has been the main way to communicate and especially to send and receive information/data for a long time. Since the late 1990s, electronic communication is becoming an ever-more important aspect of society and the availability of mobile devices, increased broadband connectivity and social media have the potential to make physical communication by letter obsolete. Considering decreasing letter volumes at different rates in Member States, we cannot anticipate when, or if at all, letters will be substituted in future. At least for the prospect of our study, the next 5 to 10 years, a societal need for ubiquitous postal services will remain.

Nevertheless, in economic terms, a universal service for delivery of mail, combined with an addressing system where all private households and businesses have postal

156 Today, the requirements for standard parcels within the universal service obligations are exceeded by additional service features as carriers compete to offer better (e-commerce) services to e-retailers and receivers.

addresses, like all other means of communications, exhibits strong external effects. For example, the postal network is increasing in value to each member as more users join. That is, the service is not only beneficial to those actually using the service, but the sheer ability to be able to communicate creates economic benefits for all potential users of the service, e.g. the ability to send advertising mail to everyone and everywhere on a defined day, to exchange legally binding signed documents, to receive proof of sending and receiving mail.[157] This still holds true for all Member States as in every country letter mail is still used for a smaller but significant part of business and private communication.

In a communications network, whether it is electronic or not, the benefit to consumers/users increases with the potential share of other users that can be reached via the network. Reliability of delivery of messages, a maximal geographical coverage, not only nationwide but worldwide, and the scope of products and frequency of delivery are crucial for the users' benefit and for the economic sustainability of a communications network as such. Once a critical mass of users is reached, the further adoption of the communications application becomes self-sustained and the share of users among the overall population or businesses automatically grows. The more recent examples of social networks are Facebook or WhatsApp.

On the other hand, if users perceive that connection is decreasing and that less and less potential communication partners can be reached, the benefit for the individual user (sender) of messages decreases and users will probably switch to alternative means of communication. This also holds true for the 'old traditional postal network. Countries like DK are already on the way to an almost complete substitution of letters by electronic mail. In other countries, e.g. SE, NO, and NL, e-substitution has already set into motion a downward spiral to less use of letters. From this point of view, a reliable universal service is crucial to the sustainability of the traditional letter mail communications system. The overall need for a letter service will probably remain in the forthcoming 5-10 years and beyond, even though we see the evidence today how letters have become a negligible means of communication for social interaction and are becoming less and less important for transactions and office mail and communication with public authorities. If letter volumes are decreasing in all Member States, the question remains who should provide a universal (letter) service and why this could not be provided by market forces. Firstly, the evidence suggests that full market opening has not resulted in effective competition. End-to-end competition in all Member States remains on a relatively low level, with substantial national differences (see chap. 5.4.5). In general, the incumbent postal service providers are still market dominant operators in the letter market. There are only a few countries with a competitive market share above 10% in the letter market, and USP markets shares below 90% in 2017 (see Figure 89).

157 Not in every Member State these features are part of the universal service but in each state there will be products that match these requirements of postal service.

Secondly, considering the market trends it seems very unlikely that this situation will change significantly in all Member States. However, in a few Member States where there is already competition today there might be more positive trends.

By using mail products, users of postal services pursue different purposes including bilateral communication (exchange of letters), one-way communication/broadcasting (press distribution, statements for consumer information, and advertising), and transportation of goods, particularly the delivery of e-commerce orders. The strong external effects included in postal operations equally result from, and can equally benefit, all three of these purposes. While many citizens and businesses in the Member States increasingly use electronic alternatives to letters, we conclude that there will still be enough users in the foreseeable future so that the positive external effects will continue to exist.

Determining a societal need for (universal) postal service ultimately is a political question that needs to reflect the current needs of users. Other services of general economic interest (SGEI) industries face less obligations to provide a minimum service at a regulated price to everyone, individuals and businesses, although they are similar or even more important to users:

- Transport: The transport sector is highly regulated as regards security, labour relations, technical requirements and the provision of open data for service providers. However, there is no regulation about providing a basic mobility service for everyone and everywhere.
- Finance: Despite the fact that dependency on bank accounts seems to be growing and that electronic banking has many cost advantages for the customer’s access to online banking, it has not yet been introduced in terms of a universal service element[158].
- Utilities: The markets for gas, electricity, and water and sewerage are highly regulated and there are detailed obligations for designated operators/concessions as e.g. connectivity and pricing.
- Telecommunications: Universal service is defined in detail to achieve connectivity to voice and data services as well as consumer protection.

Within the political discussion on universal postal services these different requirements could be taken into account to balance out societal benefits and costs.

The research on user needs in this report concludes that, in the next 5-10 years, a significant portion of postal users (more than one third) identifies a societal need for postal services in transportation (e.g. to deliver goods, medical samples and

158 Directive 2014/92/EU requires Member States to ensure access to basic bank accounts but not to digital features of such accounts.

pharmaceuticals, credit cards, election documents, court documents, enforcement orders, etc.). A slightly smaller percentage of users expect a future need for postal services to ensuring communications between citizens, businesses, and public institutions, or delivery of press items.[159]

We conclude that a societal need will clearly continue to exist, and may increase in the future for the delivery of goods. Postal services will maintain an important role for governments and businesses to communicate with citizens, or at least some fraction of citizens in the future. Societal needs for a universal service will persist as long as e-substitution is not fully achieved. Evidence shows that countries are developing towards digital societies at different rates and will therefore need flexibility to adjust their universal service, according to users' needs, geographically over the next 5-10 years at least.

4.3 Electronic communications as substitutes for postal services to meet the societal need

Given technological development and innovation, could the societal need partly be met through services in other areas than traditional paper-based postal services? (Electronic communications?)

Given the results of the analysis in our study (chap. 2.4.1 – 2.4.4), we see some main trends towards e-substitution of letters that will fulfil the societal need for communication in future and can be summarised as follows:

- The overall majority of households and individuals have internet access but there are gaps in broadband coverage which result in a divide between rural and urban households. However, it is the aim of further policy making and funding programmes to close this gap as soon as possible.
- The number of individuals who have never used the internet for various reasons is constantly declining. The main sub-group of non-users are elderly people but this group is also catching up.
- The peak of digitisation of B2B communication has not been reached but businesses are in principle ready for digitisation and e-substitution of letters. Only for invoicing and other important transactions the overall majority still uses traditional letters.
- The internet is the main technology for social communication today and the group of people who never used the internet (non-onliners) for this reason will soon become marginal.

159 See section 4.6.1.

- Some Member States have already introduced e-government solutions in almost all public service areas. The majority is making (slow) progress in this field. The European 'E-Government Action Plan' and the single digital gateway with its principles One-Stop-Shop, Once-Only, and Digital-by-Default implemented by 2023 will accelerate this development.
- Businesses will profit enormously from e-government solutions and spill-over effects towards B2B digital communication will accelerate e-substitution even further.

We can state that the technology is available and has disseminated widely among individuals, businesses, and governments. In principle, the societal need could be met through services in other areas than traditional paper-based postal services in full. Barriers like the cost of digitisation of administrations and businesses, lack of qualifications and skills, or technical interoperability and lack of standards will slow down the trend of e-substitution.

4.4 What would the market provide in absence of a USO?

What would the absence of the USO imply for supply and quality of universal services, and for particular segments of users? What postal services would be provided in the absence of the USO? Which services are contingent on the existence of regulatory requirements? Which services are likely to continue to be needed by users and what are the regulatory options for their provision?

What level of postal services the market would provide in absence of a universal service obligation necessarily presents a hypothetical question. So far, universal service providers have been obliged to fulfil the USO in all member States except Germany. Therefore, there is no real market experience. In Germany, however, the national regulatory authority regularly monitors market developments, and has always found that universal service is provided at sufficient levels by the market. Indeed, the incumbent operator, Deutsche Post, has voluntarily committed itself to solely providing universal service. Therefore, Deutsche Post alone meets the requirements for universal service in Germany, even though other operators equally contribute to providing universal service at a national level (several suppliers of parcel service), and at local levels (several alternative providers of letter service).[160] Overall, DE regulator Bundesnetzagentur reports that quality of service targets set by legislation were met in Germany for all years, and bulk senders are closely monitoring service levels achieved by all operators in the market. The level of competition in the German market for letter delivery is relatively high (compared to other Member States). Therefore, it is not clear that the German experience with a market-based approach to universal service can be transferred to other Member States directly. However, German postal legislation

160 See Bundesnetzagentur, Tätigkeitsbericht Post 2018/2019.

includes an option for the regulator to impose specific (local) universal service obligations on specific operators (possibly using public procurement for local services). From this perspective, there is not a clear reason why the German approach could not be applied to other Member States.

The expectations for future developments in the EU postal markets in section 2.5 of this report are different for letters and parcels:

- For letters, volume is expected to decrease further, and the risk that market forces may not suffice to ensure universal service in all corners of all Member States, therefore, is increasing at the margin (even though we have not seen any indication of universal service providers trying to stop service in any region). Given this expectation, an obligation to provide universal service for letters will be at least as necessary as it was in the past. The role of market forces in the letter market might enable end-to-end competition in markets where there is still enough letter volume or enable network access where there is potential for regional or segment specific competitors.
- For parcels, increasing demand is putting upward pressure on quality standards. In this situation, it seems very unlikely that delivery will be discontinued to any locations. From that angle, a universal service obligation will be somewhat less necessary than it was in the past. The role of market forces in the parcel market is mainly to enable even more product and service varieties and to extend the offer of innovations to regions beyond urban areas.

The key basis for assessing the level of universal service that would be provided in absence of a USO on specific operators, consequently, are discussions about USO net costs. According to the Postal Services Directive's guidance on methodology for determining USO net costs, the calculations have to reflect the cost attributable to 'elements of the identified services' or 'specific users or groups of users' that can only be served at a loss (Annex I to Postal Services Directive). That is, the net cost calculations have to compare current profits to a counterfactual scenario, a situation in absence of the USO.

According to the latest Main Developments Report, net costs have been determined in at least 14 Member States.[161] No details are publicly available about the exact assumptions made for the 'counterfactual scenarios' in those net cost calculations. However, Copenhagen Economics in 2018 listed three 'USO elements driving the net cost': 1) Postal network density; (2) Delivery frequency; and (3) scope of universal services (individual unprofitable services included in the USO).

Based on this incomplete information about the counterfactual scenarios that are currently employed by USPs, and current trends in postal markets, we arrive at five

161 See 5.4 below.

hypotheses for the level of service that would be provided by market forces in absence of a USO:

- Letters and parcels would continue to be delivered universally in all Member States. The elements included in universal service obligations may vary but we do not see a trend towards the elimination of basic products.
- Postal operators would continue to replace self-operated post offices by contract agencies. Postal operators that do not have considerable market shares in the parcels market may close postal outlets and thus reduce density of the postal network. Demand for pick-up and drop-off points for e-commerce parcels will be a strong driver for better services in this field.
- Postal operators would further reduce delivery frequency for letters (and possibly parcels), at least in some areas. This might even lead to delivery of twice a week or less.
- In the most rural areas, home delivery may be replaced by delivery boxes. This will reduce costs while at the same time enable users to pick up their postal items at a time that is convenient for them. Postal operators may introduce surcharges for delivery in remote (high cost) areas. However, e-retailers might not charge online-shoppers with these surcharges. On the other hand, this might be a business opportunity for smaller regional carriers or consolidators.
- Delivery of mail products for visually impaired persons would not be free of charge. Sponsors might step in to continue the service or some postal operators might continue the service on a voluntary basis.

With declining letter volumes, the risk increases that service standards would fall substantially short of current USO levels if the USO was removed. In other words, the USO and potential compensations of USO net costs become more relevant as economic conditions of the market become more difficult.

4.5 Features of universal service that are needed in the future

What are the baseline services of the USO, i.e. what are the minimum requirements to guarantee universal service to all citizens at an affordable price and certain quality that must be included for the concept to make sense (and what may be eliminated)?

At the outset, the changing role of postal services for society will have an effect on the features of postal services that are needed in the future.

Compared to the situation when the original definition of postal universal service was established in the Postal Services Directive, the availability of electronic alternatives has long led to substitution of urgent communication to other channels, including telephone, fax, email, e-government portal, etc. As a consequence, at a general level, reliable, cost-effective service is now more important than speedy delivery, or overnight delivery in all cases. At the same time, there is an increasing user need for convenient delivery of e-commerce packages, which includes an expectation of home delivery as a default in almost all Member States.[162]

Based on the research presented in this report (particularly in section 3.3 to 3.6), and in the research conducted in the Member States (see Annex 1), we arrive at the following conclusions as regards the specific features that users will expect from postal services in the next 5-10 years:

- While users can never be expected to appreciate cuts in service levels, users appear to accept some reductions in delivery frequency in return for price stability. This report argues that for most Member States, alternate day delivery (that equals 2-3 weekly deliveries), and corresponding decreases in routing time present an appropriate minimum quality level for delivery of universal service.[163] That said, current market trends and expectations indicate that more frequent delivery will continue to be offered beyond a minimum requirement for most Member States for some products (particularly e-commerce deliveries).[164]
- Speed of delivery will remain a key expectation of postal users in the next 5-10 years, as our user survey conducted for this report, and other surveys by Member State institutions clearly suggest.[165] In light of electronic alternatives of urgent messages, this may not always require overnight delivery domestically, or D+3 delivery for cross-border, but it will remain important for users to have a reliable service. However, in order to meet user expectations, regulators and postal operators need to make sure that appropriate minimum standards for routing time will be enforced as postal operators introduce changes in their delivery operations.
- Convenient access to postal outlets remains an important expectation by postal users.[166] This demand is increasingly motivated by a desire to collect e-commerce shipments or postal returns. Generally, users expect the public network of postal outlets to remain by and large as dense as it currently is. In some Member States, more convenient opening hours are a primary concern.
- Finally, affordable prices remain a core feature of postal service. While user surveys do not document a strong price elasticity of postal demand per se, affordable prices are primarily a concern for vulnerable users on low income (but not necessarily for businesses and wealthier users that can afford higher prices which reflect actual cost of service).

162 See section 3.8.
163 See sections 3.4 and 3.5 of this report.
164 See section 3.4 of this report. Also ERGP (16) 36 concludes that there is a “diminishing need for five or six days delivery from residential consumers”.
165 See section 3.5.
166 See section 3.6:

In determining future minimum standards for universal service, legislators and regulators will need to balance the features wanted by postal users with the societal needs and the cost of providing this service. Given the diversity among Member States, such decisions need to be taken at Member State level and in light of specific needs of domestic postal users and operator costs.

4.6 Given the analysis of how the needs and behaviour of consumers have changed, what changes should be made to USO, as a consequence?

4.6.1 Societal needs to which the USO for postal services should correspond today or in 5-10 years: prevailing opinion that the USO is still indispensable for specific purposes

One of the aims of universal postal services is to support paramount objectives of general interest like social cohesion, territorial cohesion, and providing economic infrastructure. In a changing environment, business and private postal users might rate the societal needs to which the USO for postal services should correspond today or in 5-10 years quite differently. Respondents to the WIK stakeholder survey (2019) chose the five needs that seem most relevant to them. The survey results show a mixed picture on how the rating of societal needs will change over the forthcoming years (see section 3.2.2).

More than one third of correspondents think that the following needs should be taken into account *in 5-10 years (see* Figure 70*)*:

- Delivery of e-commerce goods sent as letters
- Delivery of medical samples, pharmaceuticals, etc.
- Delivery of bank cards, credit cards
- Delivery of election documents
- Delivery of court documents, enforcement orders, etc.

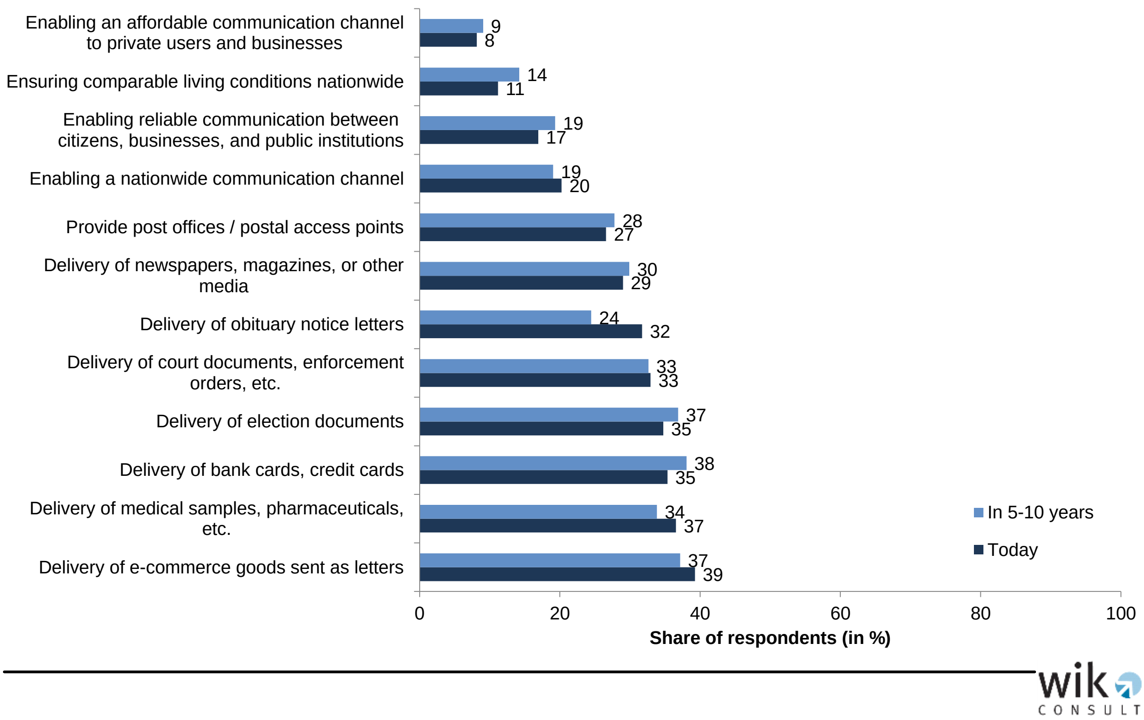
The ranking of the first five societal needs display a preference for e-commerce and legal requirements as well as services which require a certain level of security.

Less than one third of correspondents think that the USO should correspond to the following needs in *5-10 years* (see Figure 70)

- Delivery of obituary notice letters
- Delivery of newspapers, magazines, or other media
- Provide post offices / postal access points

- Enabling a nationwide communication channel
- Enabling reliable communication between citizens, businesses, and public institutions
- Ensuring comparable living conditions nationwide
- Enabling an affordable communication channel to private users and businesses

Figure 70 Societal needs of USO today and in 5-10 years from the view of postal users (respondents in per cent)



“Please state the societal needs in your country to which the USO for postal services currently corresponds to (or should correspond). Please select up to 5 needs.” / “Please state the societal needs in your country to which the USO for postal services should correspond to in 5-10 years. Please select up to 5 needs.“, N=331

Source: WIK Stakeholder online survey 2019 / postal users

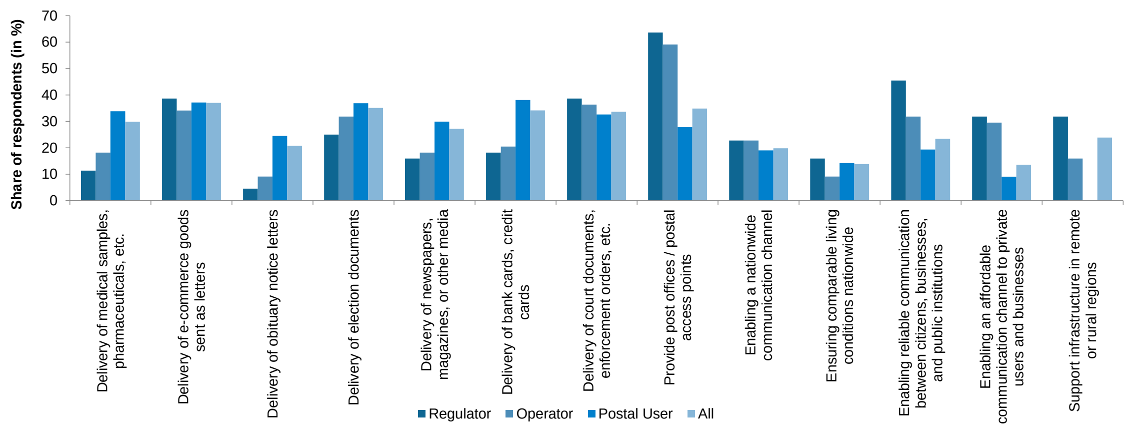
Respondents do not expect that the societal needs to which a USO should correspond will change fundamentally in 5-10 years. With one exception (delivery of obituary notice cards), the answers differ hardly more than 3 %. Therefore, the resulting ranking of societal needs expected to be important in 5-10 years shows only a slightly different pattern:

1. Delivery of bank cards, credit cards
2. Delivery of e-commerce goods sent as letters / Delivery of election documents
3. Delivery of medical samples, pharmaceuticals, etc.
4. Delivery of court documents, enforcement orders, etc.

5. Delivery of newspapers, magazines, or other media
6. Provide post offices / postal access points
7. Delivery of obituary notice letters
8. Enabling a nationwide communication channel / Enabling reliable communication between citizens, businesses, and public institutions
9. Enabling an affordable communication channel to private users and businesses
10. Ensuring comparable living conditions nationwide

We can state that reliability and security related needs are considered slightly more relevant in future than today. Interesting enough, “Enabling a nationwide communication channel”, “Enabling reliable communication between citizens, businesses, and public institutions”, and “Enabling an affordable communication channel to private users and businesses”, as well as “Ensuring comparable living conditions nationwide” are societal needs mentioned by less than 20 % of respondents among the five most relevant from their point of view – today and in future.

Figure 71 Societal needs of USO in 5-10 years from the view of all stakeholder groups (respondents in per cent)



“Please state the societal needs in your country to which the USO for postal services currently corresponds to (or should correspond). Please select up to 5 needs.” / “Please state the societal needs in your country to which the USO for postal services should correspond to in 5-10 years. Please select up to 5 needs.“, N=418

Source: WIK Stakeholder online survey 2019 / all stakeholder groups

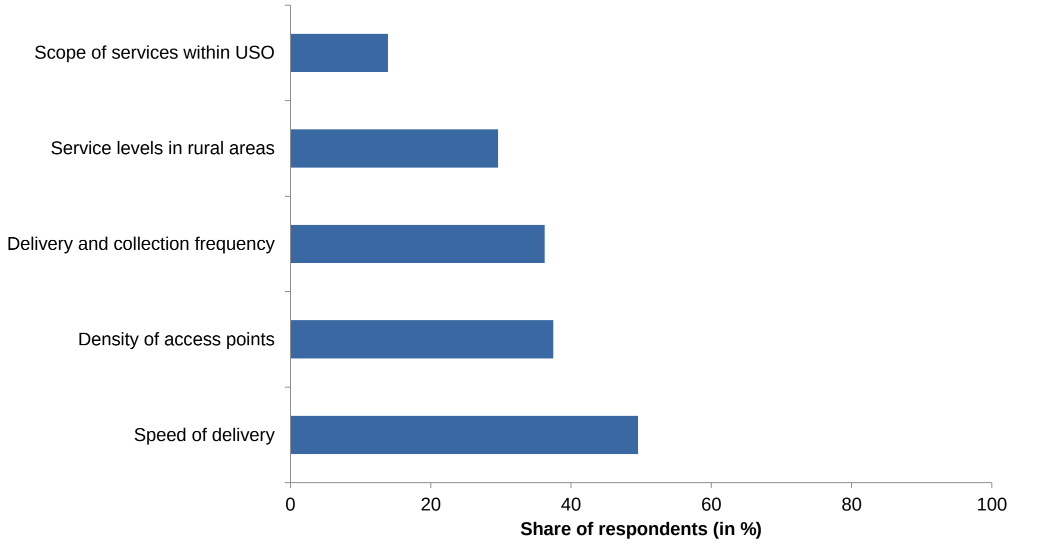
Figure 71 reveals how the three stakeholder groups in the survey (regulators, operators, postal users) rate future societal needs of the USO. It is apparent that regulators mostly selected the needs which hold significance for society as a whole, e.g. “enabling reliable communication”, “enabling an affordable communication” or “support infrastructure in remote or rural regions” as well as the provision of access points. Postal users’ answers, on the other hand, are more pragmatic. They place most emphasis on delivery of important messages or goods, e.g. medical samples, election documents, bank cards, obituary notice letters, e-commerce goods, or newspapers and magazines. Most operators choose the provision of access points as important in future and put slightly more emphasis on overall societal needs (reliability, affordability, geographical coverage) than postal users.

4.6.2 Universal service features that could be reduced from the view of respondents: opinions are highly divided between digital power users and others

When participants to the survey are asked, what universal service features could be reduced in 5-10 years they answer from the perspective of their specific needs and the needs of the user groups they are representing. In our survey panel, the focus is on business users, including NGOs and charities. Consumer associations were less than 20 % of respondents. Thus, specific needs of private consumers are slightly underrepresented.

The ranking of universal service features that could be reduced if the use of letters becomes less frequent in the future shows that respondents rate the scope of services within the USO as most important to them. Only 14 % of respondents think the scope should be reduced in 5-10 years if letters become less frequent. Service in rural areas (30 % of respondents think this could be reduced), delivery and collection frequency (36 % of respondents), and density of access points (37 %) are features where a reduction might be acceptable in future for some postal user groups. To most respondents in our survey, speed of delivery plays a minor role. Half of the respondents could imagine reducing this feature in 5-10 years if letter decline continues (see Figure 72).

Figure 72 Universal service features that could be reduced in 5-10 years if letter decline continues (respondents in per cent)



"From your perspective, if the use of letters becomes less frequent in the future (5-10 years) what universal service features could be reduced? Please state the areas for which you would accept changes to universal services. (Select all that apply)", N=331

Source: WIK Stakeholder online survey 2019 / postal users

With an open question, survey participants were asked to describe the aspects of universal service features that are indispensable in the view of private and business users. The respondents gave many examples that highlight their needs. Features stressed include reliability and security/safety as well as better protection of personal data and privacy. Respondents also describe crucial features of universal service as nationwide delivery, affordable for everyone, and delivery of specific supplies (e.g. medical supplies). They also mention frequency, speed, distribution of access points, and the need to take a balanced approach:

"It is a package: Frequent, speedy, reliable delivery to the whole country of an affordable, same-priced service and a reasonable distribution of access points".

Respondents also refer to the legal requirements that are fulfilled almost exclusively by letters today. Overall judgements of the survey participants show a wide range of opinions: Some indicate that digital communication is "all we need", some point out that more digital skills are needed to ensure postal users will migrate from letters to new forms of communication in the long run.

Finally, the range of the respondents' positions may be best summarised in this statement of a postal user:

> *"letters are indispensable" because of reliability, they "will be something special [in future] but the network still needs to be available" and "some people will always use letters, because they like it".*

Case study 9:	„Please describe the aspects of USO that are indispensable in view of private and business users." Answers to WIK stakeholder online survey / postal user

The examples given by the respondents of the WIK stakeholder online survey/postal user for crucial universal service features can be summarised as follows:[167]

Features that include reliability, safety, and data protection were mentioned by several respondents as especially important features of postal services:

- „100 % reliability: Accurate, fast, and reliable."
- "Speedy delivery of letters and goods."
- "Confidentiality of data and services / data protection / safety and security."

Ubiquitous service for everyone, despite location or income were also mentioned by respondents as crucial features of postal services:

- "Important purposes for sending mail: Medical, Family, Social, Security"
- "Postal users with special needs: Older people in rural areas; affordable for low-income customers."
- "Availability to all citizens with an adequate frequency, with traceability, and customer service."

Distinctive service features and purposes that respondents underlined included:

- "Daily collection and delivery, high density of offices and return options."
- "Fast delivery"
- "Transparent pricing schemes without hidden charges"

Some respondents pointed out how some features can only be provided by letter services or special reliable services. The mentioned requirements that might only be fulfilled by (universal service) letter or parcel services include:

- "Some public services need to send letters, because they are obligated by law, i.e. government requirements."
- "Legal security in all shipments, e.g. to send passwords and security codes."
- "High-value parcel delivery services.“

Several respondents gave detailed reasons why universal service features may or may not be reduced. Few were sceptic if letters will still be needed in 5-10 years but most respondents emphasised the importance of universal service features:

- "I don't care. E-mail is enough. Safe, fast, and all we need."
- "There will be no need for this service in my opinion. Only in the rural areas."
- "Digital training [has to be] adequate for modernization and its advantages to [become] real."
- "It will be something special [in future] but the network still needs to be available."
- "Letters are indispensable. Not even a passport is valid as a scan. There must be kept certain rules to protect us against hackers and letters are our only real security when it comes to this. It is physical not just digital.“
- "Universal postal services should rely on accepting, moving and delivering: letter shipments up to 2000 g, including registered mail and parcels with declared value, postal parcels up to 10,000 g, including declared value. Delivery of parcels for the blind."
- "It is an obligation to provide universal service (USO) to stimulate investment and infrastructure development in remote and rural areas."
- "Some people will always use letters, because they like it."
- "The universal service is a solution similar to the utility service, which basically keeps the interests of the users in mind."
- "Public postal services are indispensable in view of private and business users."

Source: WIK stakeholder online survey/postal users 2019.

167 For this summary, spelling and wording has been adjusted to make responses well understandable.

Research question 4:	**Can the scope of the universal service in each Member States be correlated with users' satisfaction with postal services?**
We could not find any such correlation. The literature review of postal user surveys of the Member States and the WIK Stakeholder online survey shows a high satisfaction with the current universal service in the respective Member State. However, universal service provision differs from Member State to Member State. Delivery is not always “to-the-door”, frequency of delivery varies, even if only in a few Member States, and density of postal outlets and services they provide also differs. We can conclude that most postal users are content with the services offered today, regardless of the service level they are used to. This is true particularly for individuals. Business users are more critical when it comes to reliability and speed and time of delivery and collection.	

Potential changes to USO, as a consequence

The aim of the universal postal service to support paramount objectives of general interest is still acknowledged by stakeholder groups in the online survey. Regulators in particular emphasise the need for reliable and affordable communication, postal infrastructure in rural and remote regions, and the provision of access points. Postal users are much more pragmatic and mention the need for delivery of important documents and e-commerce delivery and returns. None of the stakeholder groups expect a fundamental change to the societal needs to which a USO should correspond in 5-10 years.

The scope of services within the USO is the feature which seems most important to postal users and which, in their opinion, should not be reduced. Aspects of universal service features that are indispensable from the view of private and business users include security and data protection aspects, nationwide delivery, affordability, fast and reliable services, and delivery of important documents and specific supplies to everyone, everywhere. However, the high approval of universal service could be misleading. How postal users will change their communication habits in 5-10 years and how often and for which purposes they will actually use the universal service in future might present a different picture that remains to be seen.

4.7 Key findings: The need for USO in future

The key challenge to determine the baseline feature for a revised universal service is to strike a balance between user needs (that are changing slowly) and more cost-effective operations.

In our view, a basic, reliable offer of universal postal service may be enough to maintain the network externalities, and will protect the needs of future postal users, even if not at the same level of service they are used to today. The important issue is that no user is cut off, but the speed of delivery can be flexible. This view is supported by the results of a survey among postal users conducted for this study. In light of cost pressure and declining volumes, however, reduced service levels (quality of service) will be acceptable, at least in the most expensive locations.

At an EU level, a minimum level of universal service should be required for all Member States that ensures nationwide delivery of letters and parcels at affordable prices. In light of cost pressures, the standards for delivery frequency and quality of service should be reduced to allow for alternate-day delivery (but no less). In our view, this presents an appropriate balance of expected future user needs and cost of service.

The possibility for Member States to approve further service reductions in geographic conditions deemed exceptional should be maintained.

The general requirement of the Postal Services Directive that the points of contact and access points take account of the needs of users should be maintained. More specific requirements are necessary in the Member States to protect the needs of users in rural or remote areas, but such requirements are best decided locally.

To protect vulnerable users, requirements that offer affordable (or free) services for visually impaired persons should be introduced at EU level, and Member States may consider to ensure accessibility of postal outlets for persons with reduced mobility, as they do for access to public buildings.

Given the evidence as discussed in the previous chapters, i.e. chap. 2-3, and the following evaluation of regulatory aspects in chap. 5, we would like to address the underlying fundamental questions of this chapter as introduced at the start, aiming to give a brief and concise summary of our analysis. We are aware and accept that our answers must be inevitably short and simplified at this point:

Which postal services will in any case be provided by market forces and whether there are cases of market failure or social need where regulatory intervention is necessary?

> The notion of universal postal service has been at the core of EU postal policy ever since the beginning. Given the real market experience, market failure can no longer be perceived as a potential risk for the provision of a basic postal service for all and anywhere.

Where changes and revisions in the scope of the existing USO may be needed to meet emerging user needs/adapt to changed needs:

> The Postal Services Directive enables Member States to determine the scope of services within the USO flexibly. From the background of the development discussed in the previous chapters, this flexibility should be maintained or increased to meet future user needs

How to consider users whose needs may not be served by a purely commercial provision of postal services (whose needs will be especially affected if the USO is changed):

> Member States might identify a probably small and also declining group of so-called “vulnerable users” who need support to have access to the postal service because they cannot use e-substitutes. If the universal service would change (e.g. reduced delivery frequency), they would be affected more than other groups. In this event, the Member State could invest in targeted measures, e.g. to enhance media literacy, to provide specific delivery modes, or to introduce vouchers. We refer to these targeted measures in our recommendations.

5 Evaluation of regulatory aspects

5.1 Objectives of the Postal Services Directive

The Postal Services Directive pursues three main **objectives**: [168]

- (1) ensuring a common level of universal services for all users,[169]
- (2) achieving an internal market of Community postal services,
- (3) setting harmonised principles for the regulation of postal services.

In particular, the progressive liberalisation of the postal sector aimed to reconcile the gradual, controlled opening to competition of the postal market[170] with a sustainable guarantee of the provision of the universal service.[171]

Those three objectives are achieved with the implementation of **activities** foreseen in the Postal Services Directive and illustrated in the intervention logic in Figure 73 below (provided by the Commission services). The activities can be grouped into seven building blocks which are analysed in detail in Section 5.4 of this Report:

- The definition of the *scope* of the common level of *universal service* (Postal Services Directive, Articles 3, 5 and 6) as well as the conditions of its provisions, in particular the possible need to *designate* universal service providers (Postal Services Directive, Article 4) and possible need to *compensate* those providers

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168 Third Postal Service Directive 2008/6, Recital 56. For the main objectives of the liberalisation programme, see also Commission Green Paper of 11 June 1992 on the development of the single market for postal services, COM(92) 476.

169 Recital 11 of the First Postal Service Directive 97/67 clarifies that 'it is essential to guarantee at Community level a universal postal service encompassing a minimum range of services of specified quality to be provided in all Member States at an affordable price'. This was an important political objective in the 1990s, as described in recital 5: 'the current extent of the universal postal service […] vary significantly from one Member State to another'. Ensuring an efficient and affordable universal service, that is available to all users within the EU, was thus a major objective of the Postal Services Directive.

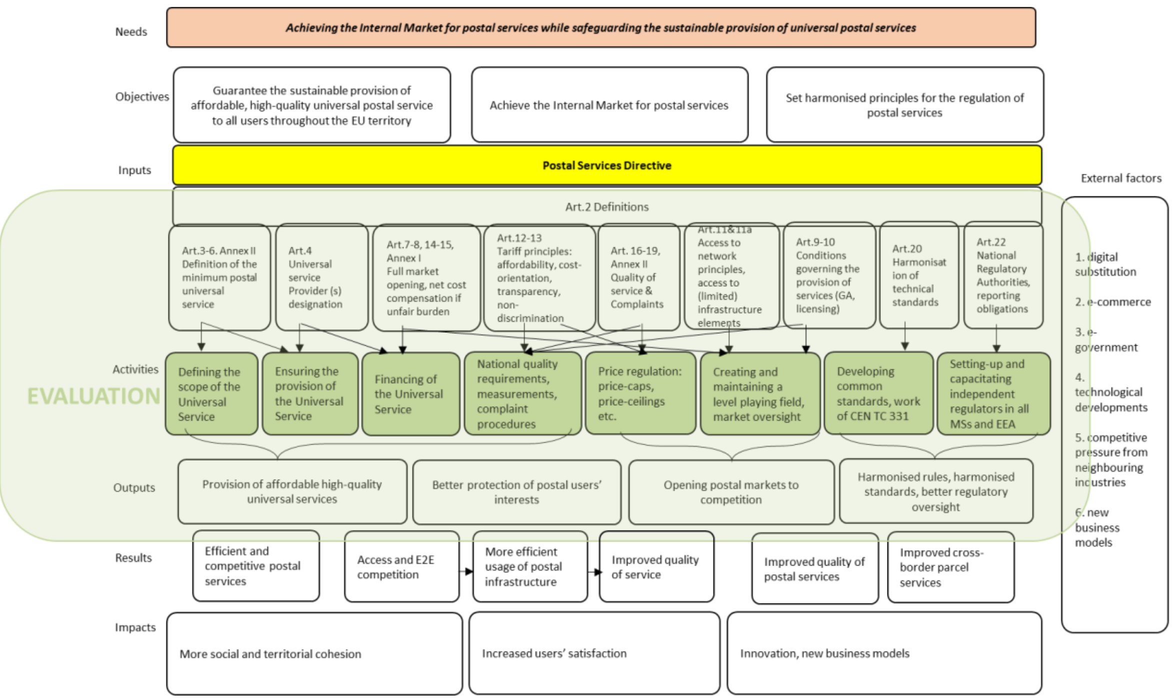
170 Liberalisation of postal markets has been a major achievement of the First Postal Service Directive and of its two amendments in 2002 and 2008. The most important contributions of the two Directives amending Directive 97/67/EC have been, respectively, to reduce and abolish the area that Member States were allowed to reserve for their national postal operator. Along with the harmonisation measures established by the Postal Services Directive, liberalisation has been a major step toward the more general objective of achieving an Internal Market for postal services. Stimulating the single market is a top-level political objective that has already been codified in the Treaty of the EC. The first recital of Directive 97/67 applied this major objective to the postal market of the Community: 'measures should be adopted with the aim of establishing the internal market'. Recital 6 raises concerns that 'cross-border postal links do not always meet the expectations of users' and that 'quality of service with regard to Community cross-border postal services is at the moment unsatisfactory'. However, achieving the Single Market required proceeding from markets with State-owned postal monopolists to open markets, where users should have a choice between different services and prices. This process would not evolve without regulatory intervention. Therefore, it was important for the Postal Services Directive to define a harmonised set of principles for the regulation of postal services.

171 Resolution of Council of 7 February 1994 on the development of Community Postal Services, OJ (1994) C 48/3 quoted in Third Postal Service Directive 2008/6, Recital 1.

for the net costs incurred in providing the universal service (Postal Services Directive, Articles 7-8);

- The measurement and guarantee of certain *quality* requirements for the provision of the universal service (Postal Services Directive, Articles 16-18)
- Transparent and effective internal complaint mechanisms and out-of-court dispute resolution mechanisms (Postal Services Directive, Article 19);
- The regulation of *tariffs* for universal service that should be affordable and cost-oriented, for which monitoring may imply cost accounting obligations (Postal Services Directive, Articles 12-15);
- The reduction of entry barriers to stimulate effective competition, in particular the reduction of legal entry barriers, i.e. *general authorisations and individual licences* (Postal Services Directive, Article 9-10), as well as the reduction of economic barriers, i.e. the imposition of compulsory *access to the postal network* (Postal Services Directive, Articles 11 and 11a);
- The use of harmonised technical standards (Postal Services Directive, Article 20);
- The reliance on *national regulatory authorities* to implement those activities and ensure the achievement of the objectives of the Postal Services Directive (Article 22-22a).

Figure 73 EC Intervention logic for European postal sector



Source: provided by DG GROW

The implementation of those activities should lead to the following **outputs**:

- The provision of an affordable high-quality postal universal service,
- A better protection of the postal user's interests,
- The opening of the postal markets to competition,
- And the harmonisation of rules and standards as well as improved regulatory oversight.

In turn, those outputs should lead to the following **impacts**, which were expected by the European legislator in adopting the Postal Service Directive:

- More social and territorial cohesion throughout the EU.
- Increased users' satisfaction in the EU.
- Innovation and development of new business models in the EU.

5.2 Our approach to evaluating regulatory aspects

This section provides an overview of the methodology applied for the evaluation of regulatory aspects in this report, based on the approach required by the European Commission's Better Regulation Guidelines.[172] Before starting the analysis, the EC Better Regulation Guidelines demand a thorough description of the market development of EU postal markets and recent trends. This is presented in section 1 of this study.

The approach establishes five criteria in the form of key questions which the evaluation has to address (see detailed explanation below):

- How effective has the EU intervention been?
- How efficient has the EU intervention been?
- How relevant is the EU intervention?
- How coherent is the EU intervention internally and with other (EU) actions?
- What is the EU added value of the intervention?

In addition to these criteria, the European Commission services have framed further research questions, upon agreement with WIK-Consult, which will also be addressed in the evaluation. Although other sections of the report include research questions sporadically, the majority of research questions are answered in the evaluation section. All research questions addressed in this report are listed in a table of research questions at the beginning of this report.

172 This approach in described in detail by EC (2017), Better Regulation Guidelines, SWD(2017) 350 final.

Effectiveness

This criterion links the objectives of the Postal Services Directive to observed market developments. We will analyse 'the progress made towards achieving the objectives of the intervention'[173] and analyse whether and how market developments have been impacted by the Postal Services Directive.

Efficiency

Efficiency is evaluated by comparing costs and benefits for different stakeholders. Costs are not only relevant for public budgets, e.g. by establishing regulatory authorities, but also for other stakeholders that have to comply with the rules that are set out in the Postal Services Directive (e.g. designated services providers, competing operators). Similarly, on the benefit side, there will be positive impacts for different stakeholders. The aim of the efficiency evaluation is to identify potential areas to reduce inefficiencies and/or find ways to ensure sustainability.

Wherever possible, quantification and monetisation are undertaken. Publicly available data on the costs of various regulatory aspects are taken into account. Where only anecdotal data for specific Member States were available, we assessed whether this information was representative for the EU or not. This assessment was clearly stated where relevant. If neither comprehensive nor anecdotal evidence was available, discussions were held with interviewed stakeholders (postal operators, regulators/postal ministries, postal users) to determine whether quantification is possible and to obtain their best estimate for the entity they represent. We also sought quantitative, where possible, as well as qualitative opinions from stakeholders on the cost amounts induced by the Postal Services Directive. We discussed this in particular with postal operators to get an estimate for whether cost categories are considered a burden or to be insignificant.

While costs depend on the nature of each regulatory aspect, administrative costs of regulators need to be considered for all aspects. The approach undertaken to estimate administrative costs of regulators for each of the regulatory aspects is carried out in four steps:

1. Investigate the postal budget of national regulators where available (estimated for a few countries where postal budgets are not published)
2. Estimate the share of regulators' budgets used for regulatory activities within the six relevant[174] aspects
3. Check/verify the shares with ERGP members

173 EC (2017), Better Regulation Guidelines, SWD(2017) 350 final, p. 60.
174 There are seven regulatory aspects evaluated. For the seventh aspect 'establishing independent regulators', administrative costs of regulators are not relevant.

4. Improve the estimates

The estimates used for step 2 and the final estimates (step 4) are displayed in Table 20.

Table 20 Administrative costs: estimated share of the regulator budget

	WIK estimate minimum	WIK estimate maximum	Expert review (lowest)	Expert review (highest)	Final estimates
Ensuring / monitoring universal service provision and financing	10%	30%	11%	80%	**38%**
Quality requirements	5%	15%	5%	20%	**10%**
Complaint procedures	5%	15%	5%	54%	**20%**
Price regulation	20%	40%	5%	30%	**15%**
Administering authorisations & level playing field	20%	30%	5%	30%	**15%**
Harmonising technical standards	0%	10%	0%	6%	**2%**

Table 21 Total budgets of NRAs for postal regulation (2018/2017)

Member States	Total EEA, CH (EUR million)	Total EU-28 (EUR million)
Total regulatory budget	48.1	45.2
Budget per regulatory aspects		
Ensuring / monitoring universal service provision and financing	18.3	17.2
Quality requirements	4.8	4.5
Complaint procedures	9.6	9.0
Price regulation	7.2	6.8
Administering authorisations & level playing field	7.2	6.8
Harmonising technical standards	1.0	0.9

Source for total regulator budgets: postal regulation budgets published in annual reports of NRAs; estimates based on overall regulatory budgets for BG, CY, DE, ES, HR, LT, LV, RO; estimates based on postal budgets in 2012 (Main Developments study 2013-2016) for CH, FR, HU, IT, MT, PL; WIK estimate for EE based on average postal budgets in LT and LV

Relevance

The Postal Services Directive is relevant only if it addresses user needs or problems that are indeed relevant. User needs, in fact, have changed since the Postal Services Directive was introduced in 1997, as analysed in section 2.3 of this study, and will continue to evolve in the next five to ten years. Therefore, this criterion is essential in evaluating the Postal Services Directive. The relevance criterion has a backward and forward-looking perspective which may be formulated by two main research questions:[175]

- To what extent have the (original) objectives proven to be appropriate?
- How well do the (original) objectives of the intervention (still) correspond to the needs within the EU?

Coherence

There are two aspects in evaluating whether the Postal Services Directive is coherent. First, it will be analysed whether the Postal Services Directive is coherent with itself, i.e. whether and how well the components of the Postal Services Directive 'operate together to achieve its objectives'.[176] If there are conflicting objectives and/or rules, an objective cannot be achieved without violating another.

Second, the coherence of the Postal Services Directive with other EU legislative acts is also assessed. We analyse coherence with (i) EU legislative acts in the postal sector (in particular, Regulation 2018/644 on cross-border parcel delivery services); (ii) other EU rules which apply to the postal operators (in particular, as the Services Directive,[177] the EU consumer acquis,[178] competition law, the Directive on the the common system of VAT,[179] the Regulation on the harmonisation of certain social legislation relating to road transport);[180] (iii) with EU laws applicable in other network industries (in particular, electronic communications[181] and electricity[182]), although those sectors present differences with the postal sector, they also present some similarities and the objectives of the EU interventions are, to some extent, similar.

175 Ibid, p. 63.
176 Ibid, p. 64.
177 Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, OJ [2006] L 376/36.
178 In particular, Directive 2011/83 of the European Parliament and of the Council of 25 October 2011 on consumer rights, OJ [2011] L 304/64; Directive 2013/11 of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation 2006/2004 and Directive 2009/22 (Directive on consumer ADR) OJ [2013] L 165/63; Regulation 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation 2006/2004 and Directive 2009/22 (Regulation on consumer ODR), OJ [2013] L 165/1.
179 Council Directive 2006/112 of 28 November 2006 on the common system of value added tax OJ [2006] L 347/1 as amended.
180 Regulation 561/2006 of the European Parliament and of the Council of 15 March 2006 on the harmonisation of certain social legislation relating to road transport and amending Council Regulations 3821/85 and 2135/98 and repealing Council Regulation 3820/85, OJ [2006] L 102/1.
181 Directive 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code, OJ [2018] L 321/36; Regulation 2018/1971 of the European Parliament and of the Council of 11 December 2018 establishing the Body of the European Regulators for Electronic Communications, OJ [2018] L 321/1.
182 Directive 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27, OJ [2019] L 158/125; Regulation 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing an European Agency for the Cooperation of Energy Regulators, OJ [2019] L 158/22.

EU added value

This criterion evaluates whether the Postal Services Directive resulted in added value that would not have been possible to achieve on the national level. In analysing EU added value, we will also look at the most likely consequences that would result from abolishing the Postal Services Directive.

5.3 Implementing the Postal Services Directive

5.3.1 Scope and content of the Postal Services Directive

This section gives an overview of the scope and content of the requirements of the Postal Services Directive to provide a basis for the evaluation in section 5.4.

Scope and features of universal service

Universal postal services comprise 'a minimum range of services of specified quality to be provided in all Member States at an affordable price'[183]. The Postal Services Directive leaves it to the Member States to apply this in practice, and only requires a set of service categories and quality features that Member States need to ensure. According to Article 3 of the Postal Services Directive, universal services shall at least comprise services for national and cross-border letters up to 2 kg, national and cross-border postal packages up to 10 kg as well as services for registered and insured items. Member States may choose to increase the weight limit for cross-border parcel services to up to 20 kg. Universal services need to be collected and delivered not less than five days of the week, yet exceptions for extraordinary circumstances or geographical conditions are allowed. Such exceptions need to be authorised by the national regulators and communicated to the EC. As a general rule, postal items shall be delivered to the home. National regulators may, however, determine conditions under which items may be delivered to 'appropriate installations'.

There are also a number of further conditions which relate to the provision of universal services. According to Article 5, Member States need to ensure universal services that 1) are compliant with the essential requirements, 2) shall offer an identical service to users under comparable conditions, 3) are provided non-discriminatory, 4) shall not be interrupted or stopped except in cases of force majeure, and 5) shall evolve in response to the technical, economic and social environment and to the needs of users. In order to protect the interest of users and other postal operators, Member States have to ensure that universal service providers publish information on the features of the universal service (Art. 6 of the Postal Services Directive).

183 Directive 97/67/EC, Recital 11.

Ensuring and financing USO

Since Directive 2008/6/EC, Member States may no longer reserve certain postal services to finance the universal service as defined in Art. 7 (1). The path toward full liberalisation has been considerably shaped by the Postal Services Directive 97/67/EC and its amendments in 2002 and 2008. The Postal Services Directive limited the scope of the postal monopoly that Member States were allowed to reserve for a designated universal service provider, by gradually downsizing weight limits for postal items and lowering price limits for items of correspondence conveyed in the fastest standard category. Directive 97/67/EC allowed a reserved area of up to 350g and five times the tariff for the first weight step within the fastest standard category. Directive 2002/39/EC reduced this to 100g and a tariff limit of 3 from 2003 onwards, and 50g and 2.5 times tariff of the first weight step in the fastest standard category in 2006. Directive 2008/6/EC then required Member States to fully liberalise their postal markets in 2011. Eleven European Member States were allowed to postpone liberalisation until 1 January 2013, when the extension period for these eleven countries listed in Art. 3 (1) of Directive 2008/6/EC ended: CY, CZ, EL, HU, LT, LU, LV, MT, PL, RO, SK.

Whereas Directive 97/67/EC showed a preference to designate a USP, Directive 2008/6/EC clarified that there may be several options to ensure universal service.[184] This Directive gives Member States ‘further flexibility to determine the most efficient and appropriate mechanism’ to ensure universal service provision.[185] It defines three possible options to ensure that universal services are provided: designation of a universal service provider as defined in article 4 (2), procurement of universal services according to article 7 (2), or provision by market forces as mentioned in Recital 23 of Directive 2008/6/EC.

If a Member State decides to procure universal services, the procedures need to comply with public procurement rules and regulations, including Directives 2004/17/EC and 2004/18/EC. Other than that, the Postal Services Directive does not make more detailed requirements on the scope, content or design of procurement procedures and leaves it to national transposition to determine an approach.

After the designation of a universal service provider by a Member State, the Postal Services Directive establishes two basic options to finance universal services if the USO entails a net cost. First, net cost may be financed from the State budget; second, a so-called compensation fund may be introduced to share the net cost ‘between providers of services and/or users’, as detailed in article 7 (3), option (b). Article 7 (4) clarifies that the compensation fund is funded by fees of service providers and/or users.

184 See EC (2015), Report from the Commission to the European Parliament and the Council on the application of the Postal Services Directive (Directive 97/67/EC as amended by Directive 2002/39/EC and Directive 2008/6/EC), COM(2015) 568 final, p. 13.

185 Recital 23 of Directive 2008/6/EC.

Contributions to the fund may be made compulsory for authorised operators. The fund needs to be administered by a body independent of the beneficiary.

In order to introduce one of these financing mechanisms of article 7 (3), the net cost of the USO needs to be determined. The calculation methodology for the net cost was introduced in Directive 2008/6/EC and is established in Annex I. The Annex consists of three parts A, B, and C. Part A specifies which services and features may be taken into account in calculating the net cost of the universal service obligation (USO). The list of services and service features provided in part A includes quality features (number of delivery days superior to those required by the Postal Services Directive, accessibility to access points), tariff requirements for universal services (affordability and uniform tariffs) as well as services (free services for the blind).

Part B of Annex I establishes the calculation methodology. It clarifies that NRAs need to '*ensure appropriate incentives for postal service providers (designated or not) to provide universal service obligations cost efficiently*'. This is important to note, as it puts emphasis on efficiency aspects which need to be addressed in times of mail volume declines in addition to seeking external financing. Part B establishes a general guide for net cost calculation rather than determining a specified methodology. It defines the net cost of the USO as the difference between the net cost of a designated USP operating with a universal service obligation and the same operator without it. However, an obligation to provide universal services may not only involve costs for an operator but also have certain benefits. Such markets or intangible benefits need to be taken into account and, in case they exist, reduce the amount of net cost.

Part C of Annex I defines conditions for transferring financial contributions to the beneficiary of the fund, which need to be undertaken in an objective, transparent, non-discriminatory and proportionate manner. The objective is to create the 'least distortion to competition and to user demand'.

Quality of service and complaint handling

The Postal Services Directive requires Member States to establish and publish quality standards for universal services (Art. 16). For the delivery of intra-Community cross-border services, such quality standards are defined by the Postal Services Directive Annex II (see Table 22). For national services, Member States need to define quality standards which have to be compatible with those for cross-border mail (Art. 17). Member States need to notify the EC on their quality standards; the EC is required to publish them. The Postal Services Directive also requires independent performance monitoring for both national and cross-border services, the results of which shall be published as required by article 16, subparagraph 4.

Table 22 Quality standards for intra-Community cross-border mail

Delivery within … working days	Objective
D+3	85% of items
D+5	97% of items

Source: Directive 97/67/EC

The Postal Services Directive enables NRAs to define exemptions from the quality standards for intra-Community cross-border mail, in 'exceptional situations relating to infrastructure or geography' (Art. 18, second paragraph). NRAs need to notify the EC in these cases, and the EC shall submit annual reports on these notifications to the PDC.

Postal users shall be able to lodge complaints with postal operators (so-called internal complaints procedure). The Postal Services Directive requires Member States to ensure that all postal service providers have '*transparent, simple and inexpensive procedures*' to deal with user complaints (Article 19, paragraph 1). Furthermore, according to the second subparagraph of Art. 19 (2), Member States need to ensure universal service providers publish complaint statistics as well as information on how complaints have been dealt with. This may also apply, if Member States opt for it, to other postal operators than the USP if they provide services within the scope of the universal service.

In addition to complaint procedures, Member States also need to ensure that a system for dispute resolution is in place, ensuring complaints are settled fairly and promptly. Member States may also introduce a system for reimbursement and/or compensation, yet there is no obligation to do so. Furthermore, independent out-of-court schemes for dispute resolution shall be introduced.[186]

In Article 19 (2), the Postal Services Directive requires Member States to vest users with the right to bring cases of unsatisfactory complaint resolution to the competent authority (in most cases the NRA); so-called external complaints procedure. In Member States where national law permits consumer protection organisations or other organisations representing user interests to act jointly, users may bring these cases before the authority together with such organisations.

Technical standards

The Postal Services Directive emphasises the harmonisation of technical standards (article 20). The European Committee for Standardisation shall be entrusted with

186 The Postal Services Directive chooses the term 'Member States *shall encourage* the development of independent out-of-court schemes [emphasis added]' in article 19 (1), third subparagraph. While this seems to indicate a commitment towards out-of-court schemes that is more than a subsidiary choice of the Member States, it is not the same as a clear obligation – which would be phrased as 'Member States shall ensure'.

drawing up the standards applicable to the postal sector. It is required to take account of the interests of users as well as the harmonisation measures adopted at international level, in particular within the UPU. The applicable standards shall be published in the Official Journal of the EU.

Price regulation

The Postal Services Directive sets tariff principles for universal services in Article 12, indents one to four. Universal service tariffs need to be affordable, cost-oriented, transparent, and non-discriminatory. The Postal Services Directive explicitly mentions the option to offer a postal service that is free for blind and partially sighted users. Member States have to the option to require a uniform tariff for the whole national territory if it is deemed necessary for reasons relating to public interest. However, (after the 2008 amendment) this can be applied only to single-piece services. In Art. 12, third indent, the Postal Services Directive clarifies that USPs may negotiate individual prices with users, including non-uniform tariffs.

In order to comply with the tariff principles, in particular the cost-orientation principle, accounting separation as defined in article 14 is relevant (see section on level playing field for more detail).

While these tariff principles apply to all universal services including cross-border services, Art. 13 of the Postal Services Directive adds further principles applicable to cross-border services only. Art. 13 applies in particular to terminal dues which are generally the starting point for setting international mail tariffs. Terminal dues constitute the remuneration paid for international postal items from a postal operator in the country of origin to the operator in the country of destination compensating for the costs associated with processing and delivering international postal items. On the global level, the UPU sets terminal dues, whereas these are generally not applicable for intra-Community cross-border services.

The first principle set by Art. 13 is similar to the cost-orientation principle established in Art. 12, but phrased differently: 'terminal dues shall be fixed in relation to the costs of processing and delivering incoming cross-border mail' (Art. 13 (1), first indent). Secondly, terminal dues shall be related to the quality of service achieved, and thirdly, they shall be transparent and non-discriminatory.' The implementation of these principles is not a clear obligation for Member States, but they shall 'encourage' USPs to respect the principles in terminal dues agreements with other USPs.

Market access and level playing field

The Postal Services Directive has shaped the way for market access and a level playing field through several approaches. First, and most important, it put an end to the common practice of reserving certain services for a national postal operator (see text on 'ensuring and financing USO' in this section). Full market opening enabled competing postal operators to enter the former monopoly market for letter services. Yet transition from stately monopolies to competitive markets required further measures '*in order to promote effective competition and/or protect all users by ensuring the overall quality of the universal service*' (Directive 2008/6/EC, Recital 34). Users and other postal operators shall therefore '*have access to the postal network*'[187] (Article 11); access conditions shall be transparent and non-discriminatory. In practice, downstream access for third parties is more often based on Art. 12, fifth indent, than on Art. 11. Although Article 12, fifth indent, is established in the context of price regulation, it is highly relevant for determining access conditions for users/competitors. It applies to so-called special tariffs offered by a USP to '*businesses, bulk mailers or consolidators of mail from different users*'. Tariffs and other conditions need to be transparent and non-discriminatory. The principle of non-discrimination requires granting access tariffs and conditions equally to any access seeker who posts items under equal conditions, considering, for example, the number, format, and weight of items as well as the level of pre-sorting. If a USP applied different tariffs to users that were otherwise in comparable situations, this would be considered discriminatory and hence not compliant with Art. 12, fifth indent.

Access to elements of the postal infrastructure is specified by Art. 11a. The latter lists examples: postcode system, address database, post office boxes, delivery boxes, information on change of address, re-direction services, and return to sender services. Member States may choose which infrastructure elements to ensure access to.

In order to avoid cross-subsidies between universal and non-universal services, Article 14 of the Postal Services Directive requires Member States to ensure USPs structure their regulatory accounts according to universal and non-universal services. This system of separate accounts needs to be based on consistently applied and objectively justifiable cost accounting principles (Art. 14, second paragraph). Art. 14 (3) defines rules on how to allocate costs to accounts. Whereas this is simple for direct costs of a service that shall be allocated directly to the relevant account, the Postal Services Directive defines a step-wise procedure for common costs (Art. 14 (3) b). USPs need to analyse the origin of the common cost and allocate it according to the direct origin. If this is not possible, further analysis of the cost origin is required. First, common costs shall be allocated according to an indirect linkage to another cost category which can be allocated directly. If this is not possible, the second step applies: a general allocator is computed that expresses the ratio of all expenses directly or indirectly assigned to each of the universal services and to each of the non-universal services.

187 The postal network includes clearing, sorting and delivery of postal items by a universal service provider, article 2, no. 2 of Postal Services Directive.

The system for separate accounts shall be verified by an independent auditor. At the NRA's request, the USP needs to provide detailed accounting information which the NRA shall treat confidentially.

Authorisations

The Postal Services Directive defines two basic types of authorisation procedures (Art. 9). First, Member States may establish general authorisations for services which fall outside the scope of universal services. If a general authorisation procedure is applied, an operator does not have to wait for the authorisation being granted by the authority before starting its operations. A second option is to issue individual licenses to operators that provide services within the scope of universal service. Regulators may impose requirements on authorised operators on quality, availability and performance of the services for which an authorisation is needed. Authorised operators may also be required to make contributions to financing the regulatory authority or a compensation fund in order to share the net cost of the USO among providers in the market. Art. 9 (2), fifth indent, also enables regulators to impose obligations to respect working conditions specified in national legislation.

Independent regulators

The Postal Services Directive requires Member States, in Art. 22, to separate national regulatory authorities from postal operators. Regulatory bodies need to be legally as well as operationally separate. In addition, Member States need to make sure that management of postal operations is structurally separated from ownership functions of national governments.

The overall framework for the tasks of national postal regulators is defined in Art. 22 (2): regulators shall ensure compliance with the obligations arising from the Postal Services Directive. The focus is on monitoring and ensuring universal service provision, but Member States may also entrust NRAs to ensure compliance with competition law. Whether NRAs are competent to ensure that consumer protection rules are respected is left to the subsidiarity of the Member States. In any case, if several authorities are involved, Member States shall ensure these bodies work in '*close collaboration and shall provide mutual assistance'*.

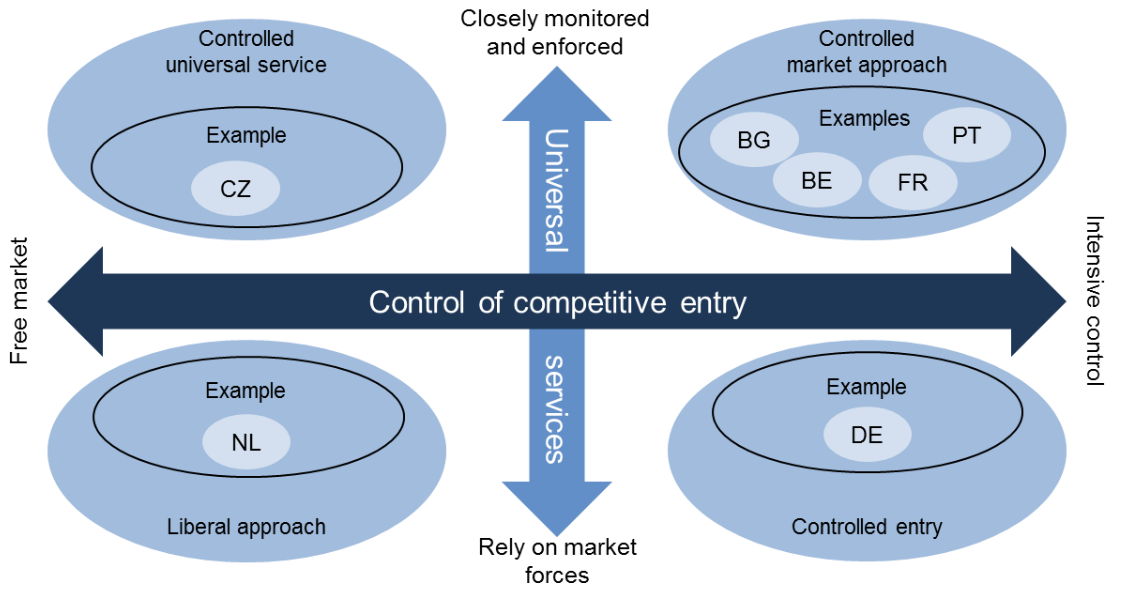
5.3.2 National approaches for implementing the Postal Services Directive

All Member States of the EU have transposed Directive 97/67/EC, last amended by Directive 2008/6/EC. Croatia, the most recent Member State, had transposed the Postal Services Directive prior to joining the EU in 2013.[188] Norway announced a reservation against implementing the Postal Services Directive as amended by Directive 2008/6/EC

188 Croatia transposed the Postal Services Directive by Croatian Postal Act (144/12).

at the EEA Joint Committee in 2011, which effectively put the implementation process in all three (non-EU) EEA countries on hold. Yet in 2014, after a change of government, Norway resolved the issue by implementing a new postal Act[189] which entered into force in 2016 and fully opened the Norwegian postal market to competition.[190] Iceland and Liechtenstein, as well as Switzerland have still not transposed the Postal Service Directive, all three maintaining a reserved area for letters up to 50g.

Figure 74 National approaches for implementing the Postal Services Directive



Source: WIK-Consult.

Member States have transposed the Postal Services Directive using different approaches. We find that there are four typical approaches which are characterised, on the one hand, by how Member States ensure universal service provision, and on the other hand by their control of competitive entry. In order to ensure universal service, Member States might closely monitor and enforce universal service provision (the upper half of Figure 74), or rely on market forces to provide universal services with a limited extent of regulatory intervention. Control of competitive entry may be intensive (Member States on the right-hand side of the figure), or at a lower intensity with the extreme being a free market. In practice, there are rarely prototypic models, and most Member States could be located somewhere in between the outer ends of the scale. Even though the four approaches describe common characteristics in implementing the Postal Services Directive, there are still many differences between national applications.

189 LOV-2015-09-04-91.
190 See EEA Joint Committee (2014), Annual Report of the EEA Joint Committee 2013, Annex I.

The approach towards a 'controlled market' is characterised by both close monitoring of universal service as well as strong control of competitive entry. This approach has low confidence in market forces, which means these Member States typically did not open their letter markets before the deadlines defined by the Postal Services Directive. Individual licensing are more common or required for a wider range of universal services than in other approaches. For example, PT and BG require licenses for all universal services; in BE and FR, competitors need individual licenses for delivery services of correspondence letters. All four Member States did not open markets before 2011 and 2013, respectively (like several other Southern and Eastern European Member States). In Portugal (and also in Belgium until the postal law was amended), price control was combined with quality of service monitoring. In both Member States, the USPs' potential for price increases was enhanced if quality of service performance exceeded a defined level. Portugal and France have set service standards for all or most universal services (FR: single-piece priority and non-priority services, publications and basic parcels; PT: single-piece priority and non-priority letters and parcels, bulk letters and parcels, publications).

The approach called 'controlled entry' is somewhat unique within the EU and applied only in Germany. It is characterised by intensive control of new entrants in letter markets while at the same time relying on market forces for ensuring universal service provision. Relying on market forces means there is no designated operator for ensuring the universal service. Instead, universal service is provided by all postal operators that are active within the scope of universal services. This scope is quite broad in DE, including both single-piece and bulk letter services as well as single-piece and bulk parcels. It also includes direct mail services and delivery of newspapers and periodicals. In addition, there are registered letters, insured letters, and cash-on-delivery services within the scope of the USO. Quality of service targets are defined for selected universal services only, namely single-piece letters and parcels. The targets are quite low: 80% of single-piece mail has to be delivered one day after posting.

Competitors in the letter market have to apply for individual licenses if they deliver addressed letters (including addressed newspapers) up to 1kg. Operators that do not need a license (e.g. providers of addressed letters above 1kg, direct couriers or parcel service providers) need to notify the authority. License conditions are monitored and verified by the authority, and license holders report that the NRA undertakes random controls. It is also within the NRA's obligation to monitor employment conditions.

In Germany, ideally, all operators within the scope of universal service contribute to providing the universal service. To determine whether the universal service is provided, the services of all universal service providers would have to be taken into account, in theory. In practice, the former state-owned postal operator Deutsche Post is providing all universal services, but it is not obliged to comply with quality of service requirements. The German regulator, therefore closely monitors all licensed postal operators for services they provide, areas where they are active, and how many access points for postal users they operate.

The approach ‘controlled universal service’ is characterised by rather strict controls of universal service, but a light-handed approach at controlling competitors. An example for this approach can be found in the Czech Republic.

There are some specific rules for the USP in CZ, and special competences of the NRA. The quality of service objective set for the Czech USP is high, with at least 92% of letters that have to be delivered D+1. Regarding access to the post office network, the regulator has the competence to prevent the closure of post offices.[191] All post offices in the Czech Republic have to be equipped for enabling access or support for disabled people.

Competitive entrants do not need an individual license; they only need to register as a postal operator. If entrants require downstream access to the delivery network, the NRA has the competence to settle disputes between access seekers and the USP, and make a binding decision. The USP is also obliged to publish a reference offer, while the NRA has the competence to modify that reference offer. The access points for downstream access defined in CZ are more numerous than in many other Member States: in addition to access to inward and outward mail centres, competitors may also access distribution centres and post offices.

The ‘liberal approach’ is prototypical only in the Netherlands. Instead of regulating universal service provision, the Dutch approach is based on regulating the USP due to its significant market power. The obligations for PostNL do not arise from universal service as the point of departure but from its market-dominant position. Still, this requires the postal regulator to define relevant markets.

The approach towards price regulation leaves some flexibility to the USP. There is a price in place that applies to all services within the USO, so PostNL is free to set prices within the cap as long as the overall limit is respected. However, PostNL is required to provide access to its delivery network based on its dominant position in the relevant market for 24-hour-mail. The network access obligation on PostNL is based on the market analysis of the NRA which found that competitive distortions exist, in particular in the segment of fast delivery. Competitors shall be able to compete with PostNL in this segment by ensuring downstream access.

The scope of universal service in the Netherlands is the smallest to be found within the EU. Only single-piece letters and parcels are within the scope of the universal service, and service standards (transit time targets) are defined only for letters. There are no

191 In Austria, the process for closing post offices is also highly complex. The Austrian NRA has the power to prevent the closure of a post office. See ERGP (2019), Report on quality of service, consumer protection and complaint handling.

regulatory objectives for cross-border services defined. Furthermore, the Dutch NRA has no explicit legal competence to deal with user complaints.[192]

The Netherlands were also among the first to reduce requirements on delivery frequency (no delivery on Monday except for mourning letters and medical samples) and considerably reduced the requirements on the post office and letterbox network. The regulator does not have the competence to prevent post office closures (as in CZ).

5.4 Evaluation of specific elements of the regulatory framework

For this evaluation, the different specific elements of the regulatory framework for postal services have been organised in seven groups of major topics:

1. Ensuring the universal service
2. Quality requirements
3. Complaint procedures
4. Price regulation
5. Level playing field and market access
6. Harmonising technical standards
7. Establishing independent regulators

In the following subsections, we will apply the five criteria specified in the Better Regulation Guideline to each of the seven topics listed above.

5.4.1 Ensuring the universal service

5.4.1.1 Effective

Services ensured as universal services

Postal services emerged a long time ago and have been provided by postal administrations until the end of the 20th century. Historically, postal administrations delivered, in particular, letters as well as registered items, small packages, newspapers and magazines. Parcel delivery services were also provided but they were not at the core of postal service provision and service quality was very different from today's standards. In the course of the 20th century, postal administrations developed specialised products for direct mail, catalogues, books, and printed matter.

192 See ERGP (2019), Report on quality of service, consumer protection and complaint handling, p. 45.

When the EC Green Paper was published in 1992, all these services already existed in the then twelve Member States (15 from 1995 on, with the inclusion of AT, FI and SE). Although the Postal Services Directive aimed to 'guarantee at Community level a universal postal service encompassing a minimum range of services of specified quality' (Recital 11, 97/67/EC), the scope of universal services in the national transposition of the Postal Services Directive covered most of the letter and postal parcel services already provided by national postal administrations. Naturally, basic letter and parcel services are included within the scope of USO. For other services, such as delivery of newspapers and magazines, the status as universal or non-universal services is more diverse and was based on political decisions in the process of transposing the Postal Services Directive in the Member States. Different structures for delivery of newspapers in the pre-Postal Services Directive era (by postal administrations only, or also by publisher-owned delivery organisations) had an impact on the definition of newspaper delivery as a universal service. The different scopes of universal service in many Member States have therefore been affected by the history of postal service provision rather than a conscious decision of the Member States in determining what would constitute a 'minimum range of services'.

The EC Green Paper stated in 1992 that 'the universal service is defined differently in different Member States with the effect that customers cannot confidently post similar items in different Member States.'[193] Unfortunately, the Green Paper does not explicitly state the differences between universal service definitions as applied in national legislation of different Member States. Prior to the establishment of the Postal Services Directive and national transposition, postal services had been provided by state-owned postal administrations. At that time, letters and parcels were provided throughout the national territories of Member States[194], and postal acts or ordinances clearly defined which services were reserved for the public postal operator. A differentiation between single-piece and bulk services was not defined in pre-Postal Services Directive postal legislation. Whether so-called printed matter (unaddressed and addressed printed advertisements, catalogues, etc.) were part of the reserved area was very different across Member States (e.g. it was not reserved in Germany and Spain, and was liberalised very early in Sweden, see section 2.1.3).[195] Newspapers and magazines were provided as postal services in many Member States but traditionally, publishers also had their own early-morning delivery rounds.

193 EC (1992), Green Paper on the Development of the Single Market for Postal Services, p. 183.

194 A study by NERA on behalf of European Commission in 1998 states that letter and parcel services up to 10 kg are delivered throughout the national territories in all EU15 Member States. See NERA (1998), Review of existing USOs in Member States, p. 11.

195 Not all postal administrations distinguished between letters and printed matter, see EC (1992), Green Paper on the Development of the Single Market for Postal Services. The Green Paper shows for 1992 that out of twelve Member States, nine distinguish between letters (containing correspondence) and printed matter: BE, DE, EL, ES, FR, IE, IT, LU, NL. By contrast, the three other Member States distinguish between first and second class letter services (DK, PT, UK).

The scope of universal services in the Member States still remains very different until this day (see Table 23), and does not seem to develop towards greater harmonisation either. Yet, this does not cause substantial problems with delivering cross-border items. In the pre-Postal Services Directive era, UPU acts ensured international postal relations and delivery of postal items.

Today, single-piece letter and parcel services are ensured as universal services in all EEA Member States countries as well as Switzerland. Due to different national definitions of letters (printed matter/communication and first/second class), a number of Member States have chosen to include bulk mail within the scope of universal services (see table below), with the exception of NL and UK. These two countries adopted a concept of the USO that focussed on the needs of consumers. Therefore, most bulk mail products are not within the universal service in NL and UK.[196]

In recent years, there has been a trend to reduce the scope of services ensured as universal services. According to a report prepared by the ERGP, only 15 out of 31 countries ensure bulk letters as a universal service.[197] Several countries seem to have excluded bulk letter services from the scope of universal services since 2014: EL, HR, LV, LU, NO, RO, SI.[198] However, it is not always clear how to distinguish between bulk and single-piece mail on the national level as NRAs apply different criteria. Regulators report different criteria are applied in regulatory practice, with few examples of legal definitions for bulk services.[199] In twelve Member States, direct mail falls outside the scope of universal services: CH, FR, HR, IE, IT, LI, LU, NO, PT, RO, ES, SE.[200]

Particularly in those countries where declines of letter mail volumes have been relatively low, a wide scope of universal services is maintained. While about half the European countries ensure a wide scope of universal services including bulk mail and newspaper delivery (see Table 23), the number of countries with a reduced set of services has grown since 2014. Comparing the scope of universal services legally transposed in different countries, it becomes obvious that the scope not only differs quite substantially between countries, but that Member States have also changed their definition of universal services over time.

196 In the NL, bulk mail services outside the reserved area were outside the scope of USO. In the UK, only one bulk letter product was within the scope of universal service. See WIK-Consult (2004), Main Developments in the European Postal Sector, p. 35 f.

197 For bulk parcels, only NL and UK have definitions in postal legislation. In other countries, the distinction is to be made by NRAs. See ERGP (2017) Report on core indicators for monitoring the European postal market, 17 (36), p. 92.

198 This conclusion is based on the comparison of ERGP reports on core indicators for monitoring the European postal market in 2017 and 2018, and ERGP (2014), Report on tariff regulation in a context of declining volumes, p. 17.

199 See WIK (2019), Development of Cross-border E-commerce through Parcel Delivery, p. 54.

200 Based on comparing ensured universal services in Copenhagen Economics (2018), Main Developments in the European Postal Sector 2013-2016, Country Reports and ERGP (2014), Report on tariff regulation in a context of declining volumes, p. 17

Table 23 Scope of universal services (2017)

Scope of universal services	Number	Member States
Single-piece letters only	13	DE, DK, EE, FI, HR, LT, LU, NL, NO, PL, RO, SI, UK
Bulk letters	15	AT, BE, CY, EL, ES, FR, HU, IE, IS, IT, LV, MT, PT, SE, SK
Newspapers and periodicals	18	AT, BE, BG, CH, CY, DE, DK, EL, FR, IS, IT, LU, LV, MT, NO, PT, RO, SI

No information for LI. In CH, CZ, BG, bulk mail services are not defined.

Source: based on ERGP (2018), Report on core indicators for monitoring the European postal market, 18 (45) and ERGP (2017), Report on core indicators for monitoring the European postal market, 17 (36)

It is important to keep in mind that the legal definition of universal postal services is only one side of the coin: as opposed to postal administrations, universal service providers of the present adjust their products and operations according to commercial principles. They offer a range of services that are more differentiated and tailored to customer needs than the rather basic regulatory categories of universal service definitions. As a practical example, postal operators provide specific products for different types of business senders (such as tracked letters containing small e-commerce contents for e-retailers, or bulk letter services with different levels of pre-sorting) or different service levels for registered items (e.g. tracked items, signed delivery, or delivery in person to the addressee). In many Member States, USPs do not provide specific ‘universal service products’ but have added non-universal service features. For example, universal service parcels in 19 Member States include tracking although this is not required by national legislation.[201]

201 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, p. 54.

Research question 5:	What other general interest services (non-postal) are now being supplied by the postal operators?

In some cases, USPs are required by the state to provide certain other services of general economic interest which are regarded to be of particular importance to citizens. In turn, USPs are sometimes reimbursed by the state for the costs incurred during the provision of these SGEIs, as it generally falls outside of the scope of the regular services provided by USPs. See below for some examples of SGEIs provided by USPs in different countries:

Belgium, bpost

- "Cash-at-counter" services, home delivery of pensions and social allowances
- Financial and administrative processing of fines, e.g. traffic fines
- Printing and sale of fishing permits

France, La Poste

- Maintenance of postal outlets in rural areas, disadvantaged urban areas, and in French overseas departments
- Providing discounted services for newspaper delivery to media publishers
- A savings account accessible to financially vulnerable customers

Italy, Poste Italiane

- Subsidised rates paid by publishers and non-profit organisations
- Collection and payment services for e.g. mobile telephony
- Collection and management of postal savings, sale and distribution of financial products
- Insurance and savings products, e.g. personal protection and property insurance

Lithuania, Lietuvos Paštas

- Payment transactions
- Financial services such as tax payments, sending and receiving remittances, consumer credit, and other brokerage services
- Maintain a post office network that also serves the rural residential areas

Hungary, Magyar Posta

- Bill payment services in post offices using the online Telekom interface
- Bill payment services, e.g. bill payment terminals in well-frequented post offices and shopping centres; the iCsekk mobile phone app can be used to pay bills 24 hours a day by scanning the QR code located on a bill with the app; or by bank card at postal outlets
- Customer services offered at postal outlets on behalf of utility companies (gas and electricity providers) including the top up of prepaid utility meters, i.e. customers can purchase a voucher with a code to recharge their utility meter (electricity or gas)
- Customers can purchase a Príma voucher at post offices with a POS terminal for the PrímaGázfutár service, which delivers PB gas bottles ordered online to their door
- The Postal Agora Service (an e-administration service) makes arranging administrative affairs easier for residents and businesses in villages in small regions where the infrastructure is less developed (at 40 points across the country)
- Insurance services and savings schemes, e.g. home savings schemes, home insurance products, life insurance, pension insurance

Switzerland, Swiss Post

- Financial services in terms of savings accounts, investment options, retirement planning, and financing.
- Swiss Post manages the operation of PostBus which is the market leader in public bus transport in Switzerland, reportedly developing an increasingly strong presence in cities and conurbations as well as in rural areas. The service only serves short-distance personal transport routes between train stations and/or villages that are not connected by railway.

These examples illustrate that postal operators use their nationwide network of post offices and their brand to offer non-postal services which strengthens their revenue base, and limits their dependence upon declining letter markets. USPs that operate mainly third-party networks, e.g. in Germany or Sweden, take a different approach to cope with mail volume declines. These operators diversify into other areas, e.g. logistics, digital services and e-commerce fulfilment.

Source: bpost (2019) Annual Report 2018; Le Groupe La Poste (2019) Registration document 2018 – Annual financial report ; Lietuvos Paštas (2019), Consolidated Annual Report and Consolidated and Separate Financial Statements 2018; Magyar Posta (2018), Annual Report 2017; Poste Italiane (2019), Annual Report 2018, Swiss Post (2019), Annual Report 2018

Frequency of delivery and collection

Daily collection and delivery of postal items within the scope of universal service, not less than five times per week, was already a common practice before the Postal Services Directive was introduced.[202] The Commission's Green Paper stated in 1992 that collections are 'regular' and deliveries are 'normally intended to be made on a once-a-day basis'.[203] There were exemptions from delivery to the 'home or premises of every natural or legal person', as required by Art. 3 (3) of the Postal Services Directive, in some EU15 Member States: for letters, AT, BE, DK, EL, FI and LU allowed delivery to roadside letterboxes in rural areas; for parcels, six out of the 15 Member States in 1998 did not require home delivery, or allowed exceptions.[204]

The Postal Services Directive then codified the existing approach, while granting some flexibility to those Member States where specific geographical circumstances aggravated daily delivery. NRAs may grant exemptions from daily delivery and collection, as well as from delivery to the home under Art. 3 (3).

202 See NERA (1998), Review of existing USOs in Member States, p. 11.
203 European Commission (1992), Green Paper on the Development of the Single Market for Postal Services, p. 282 and p. 285.
204 See NERA (1998), Review of existing USOs in Member States, p. 20 and 11.

Table 24 Delivery / collection requirements and exemptions

	# of countries	Countries	Note
6 day delivery 2004	11	DE, DK, EE, ES, FR, IT, LT, MT, NL, SI, UK	
6-day delivery 2017	4	DE, FR, MT, UK	Also in AT, CH for newspapers, in BG (only in capital)
Exemptions from daily delivery (2017)	17	BG, CH, DK, EE, EL, FI, FR, HR, IE, IS, IT, LU, NO, RO, SK, SE, UK	
Thereof exemptions due to…			
Mountains or island areas	12	BG, DK, EE, FI, FR, HR, EL, IS, NO, RO, SE, UK	
Population density	9	BG, CH, HR, IS, IT; NO, RO, SK, SE	
Low traffic volumes	2	IT, RO	
Cost of service	4	IS, NO, RO, SK	
Poor infrastructure	5	BG, CH, NO, RO, UK	

Sources: WIK-Consult (2006), Main Developments in the European Postal Sector (2004-2006), ERGP (2018), Report on quality of service, consumer protection and complaint handling, 18 (44)

Note: Exemptions in a specific country may refer to several reasons

In 2006, eight out of 25 Member States applied exemptions from daily delivery, affecting less than 0.1% of the population with the exception of EL (7% of population not receiving daily delivery).[205] Since then, national regulators granted exemptions from daily delivery in 17 countries (see Table 24) under Art. 3 (3) in 2017. The number of countries where exemptions from daily delivery apply has therefore more than doubled, i.e. the number of postal users affected by these exemptions has also strongly increased. Exemptions from daily collection were applied in 14 countries in 2017 (BG, DK, EE, EL, FI, FR, IE, IS, IT, LU, NO, RO, SE, UK).[206]

While letter delivery on six days per week was required in 2004 in five (out of 25) Member States, USPs in another six countries (see Table 24) delivered voluntarily on a sixth working day (usually Saturday).[207] The number of countries with requirements on six-day-delivery for letters declined over time but the 5-day-delivery-principle was not questioned until 2009. In 2009, Denmark was the first country to reduce frequency of delivery for universal services below the 5-day-per-week level. Although a daily delivery service for D+1 letters still exists in Denmark, this is now outside the scope of the USO. The fastest letter service within the USO has a transit time of D+5 and is delivered

205 See WIK-Consult (2006), Main Developments in the European Postal Sector (2004-2006), p. 51.
206 See ERGP (2018), Report on quality of service, consumer protection and complaint handling, 18 (44).
207 See WIK-Consult (2004), Main Developments in the European Postal Sector, p. 36 f.

every other day (alternate day delivery).[208] Other Member States followed: PostNL delivers letters from Tuesday to Saturday. In Italy, a review of the regulatory framework enabled Poste Italiane to introduce a new delivery model for rural areas. In these areas (with up to 25 per cent of the Italian population) Poste Italiane may decrease the delivery days to every second working day, i.e. 2.5 delivery days per week, on average.[209] In Finland, an amendment of the Postal Service Act allows a reduction to three delivery days per week in urban areas if the area in question has an early-morning delivery network for newspapers. Posti Finland announced (but so far postponed) the implementation of an alternate delivery day model for 2018. The amendment of the Finnish Postal Act now requires Posti to deliver at least 50 per cent universal service letters by the fourth working day (instead of 95 per cent by the second working day). Iceland Post also introduced alternate day delivery for letters in 2016. Norway has reduced delivery requirements from 6 to 5 days and Norway Post will establish an alternate day delivery model for the whole country in 2020. Similar developments can be found outside Europe, e.g. in New Zealand (see Case study 10).

Case study 10: Delivery frequency in New Zealand

After substantial volume losses in New Zealand, delivery frequency was reduced in 2013 from six-day-delivery to three-day-delivery in urban areas, while six-day-delivery was maintained in rural areas. In 2015, frequency was further reduced to five-day-delivery in rural areas. Rural receive more deliveries than urban areas as the rural population is deemed to be more dependent on mail whereas urban inhabitants have more alternatives. Less than 15% of delivery points in New Zealand are classified as ‘rural’.

In urban areas, New Zealand Post runs two delivery networks, one for three-day-delivery of ordinary mail and small packages, the other network is for daily delivery of registered letters and parcels from Monday to Friday. The three-day-network is organised as an alternate day delivery model. Citizens receive mail either on Monday/Wednesday/Friday or Tuesday/Thursday/Saturday depending on their postal code.

Source: New Zealand Post Annual Reports; Deed of Amendment and Restatement between the Crown and NZ Post, signed 12 December 2013; Post and Parcel (2015), New Zealand Post to switch to alternate-day mail delivery from July, published on 12 February 2015, available at: https://postandparcel.info/64020/news/new-zealand-to-switch-to-alternate-day-mail-delivery-from-july/)

For universal services, the Postal Services Directive requires delivery to the door or premises of receivers. This was a standard procedure in most of the 15 Member States in 1997, but not in Scandinavian Member States (SE, FI) where receivers traditionally pick up their parcels at the nearest post office. In order to spare postal operators from the obligation to introduce new costly procedures that were not required by users at that time, the Postal Services Directive granted flexibility in this respect. National regulators may decide on the requirements for where to deliver under Art. 3 (3). In 2017, there

208 See Copenhagen Economics (2018), Main developments in the Postal Sector 2013-2016, p. 187.

209 Rural areas are defined as areas with a population density of less than 200 inhabitants per square km, as well as municipalities with less than 30,000 inhabitants that meet specific criteria concerning the distance between delivery points (more than 81.7 metres) and the density of commercial users (less than 8% of commercial receivers on total receivers). See AGCOM (2015), Delibera No. 395/15/CONS.

were exceptions from home delivery in 9 Member States (AT, CZ, DK, EL, HU, RO, SK, SI and UK) as well as CH and IS.[210]

While the same requirements apply to delivery of universal service parcels, in reality the delivery of parcels has evolved and presents a completely different picture compared to letter delivery. Most USPs offer more convenient options for receivers, including evening delivery or during a time window of the receiver's choice, or delivery to pick-up points or parcel lockers.[211] These improvements have been achieved due to market developments: the boom of e-commerce and a competitive parcel market with innovative players.

Research question 6:	**Are the provisions of the directive sufficiently flexible to respond to the different needs of the MSs? What could or should be more flexible and why? Or less flexible, if the case be**

The answer to this question covers two aspects. First, is the Postal Services Directive as flexible as it claims to be?

In 2009, DK reduced the frequency of delivery for the whole country, i.e. interpreted the exemption rule under Art. 3 (3) in a new way. However, it is unclear whether this flexible interpretation of the Postal Services Directive will be upheld by courts in the future. In 2018, there had been a complaint from Italian municipalities brought to court, but it was withdrawn before the CJEU had made a final decision on this matter. As long as there is no CJEU decision on the flexibility of universal service features, such as five-day delivery and national transit time requirements, there will remain a risk that national deviations from the Postal Services Directive could be declared as non-compliant at some point in the future.

Second, is there a need for more flexibility, and if so, where is more flexibility needed?

The trend to reduce frequency of delivery is a reaction to several factors, including changing user needs, digitisation and declining mail volumes. USPs, regulators and postal ministries interviewed for this study almost unanimously pointed out that daily frequency of delivery does not correspond to the needs of users anymore. The results of the online survey for this study were also clear: the vast majority of NRAs and USPs require more flexibility for frequency of delivery (and of collection, to a slightly lesser extent), see Figure 79 in section 5.4.1.3.

Density of the post office network

Post office networks enable postal users to access postal as well as postal financial services. Postal administrations provided such services at post offices, before the Postal Services Directive was introduced, only in a few Member States, such as the UK, where access points were already organised as postal agencies in the 1990s. The total number of postal access points in all EU12 members in 1988 amounted to more than 90,000 but had already diminished to about 87,000 in 1997. In 2017, the total number of post offices in the EU12 members is 18% lower than before the Postal Services Directive was introduced (see Table 25). There are two main reasons for this development: first, many European USPs were loss-making postal administrations in

210 See ERGP (2018), Report on quality of service, consumer protection and complaint handling, 18 (44).
211 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery.

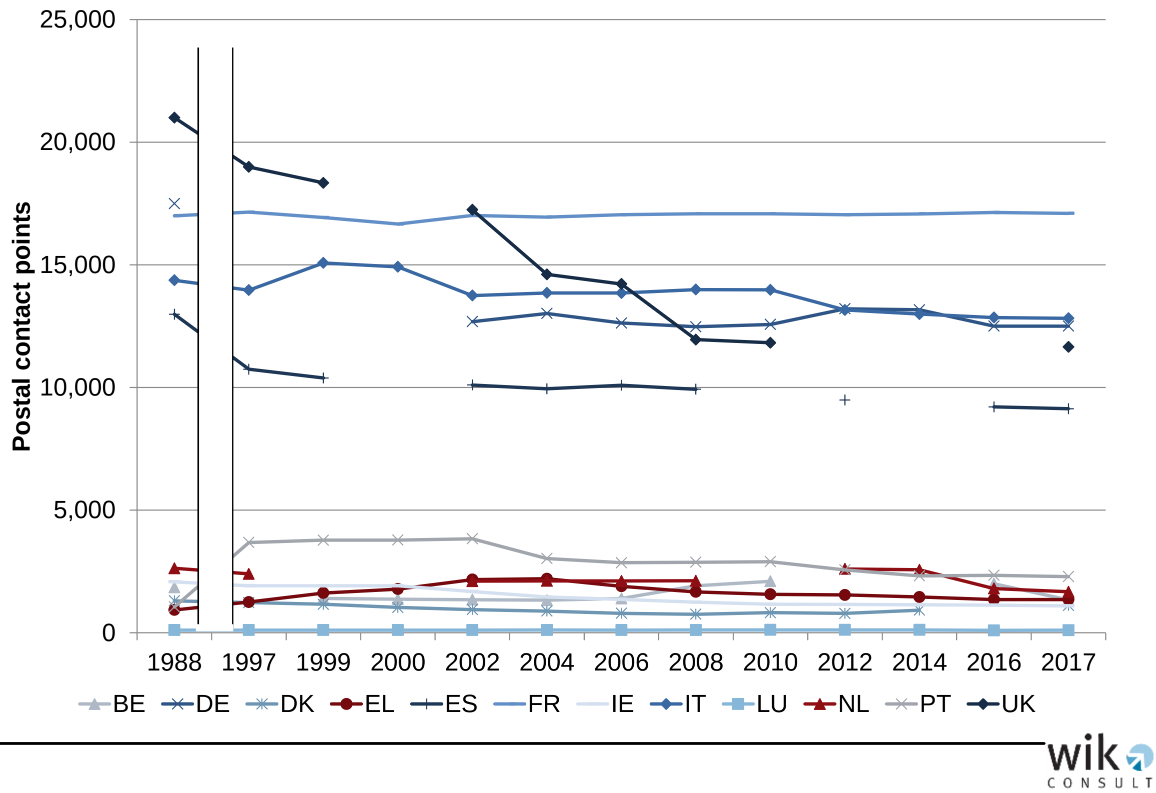
the 1990s and had to improve their efficiency and productivity. This challenging process required them to reduce and optimise postal access networks, which continued into the new millennium. The second reason is the reduced demand for postal services by consumers and small enterprises as the main users of postal access points. Digitisation and new means of communication lead to the substitution of letters and postcards sent by these customer groups, and thus it became economically unviable to maintain extensive post office networks.

Table 25 Postal network density in EU12

	1988	1997	2006	2017
Total number of postal access points in EU12	92,792	87,561	78,338	72,160
Inhabitants served per access point in EU12	3,490	4,033	4,709	5,307

Sources: 1988: EC Green Paper 1992; all other years: calculations based on post office data provided by UPU, USP and NRA annual reports and Eurostat population data

Figure 75 Development of postal access networks in EU12 per country



Sources: 1988: EC Green Book 1992; 1997-2017: post office data provided by UPU, USP and NRA annual reports

The number of postal outlets has declined in ten Member States out of EU12, except in France and Greece where the number has slightly increased between 1997 and 2017 (see Figure 75). The strongest declines of the post office network between 1997 and 2017 is observed in Ireland, Portugal and the United Kingdom. Considering more recent developments in the EU28, the negative trend is slowing down and even seems to reverse in some Member States: USPs in 10 Member States have increased the number of access points in 2017, and a further eight have not changed their access networks.[212]

Nonetheless, these recent positive developments cannot be confidently linked to the Postal Services Directive, as it provides only a rough guide on the size and density of postal access networks. The Postal Services Directive requires that 'the density of the points of contact and of the access points takes account of the needs of users' (Art. 3 (2)). There are no specific rules on an operational level, such as maximum distance, thus enabling Member States to flexibly define criteria for the density of access points. Most Member States have chosen to do so: 27 countries including CH, IS and NO have defined criteria for the density of letterboxes provided by the USP.[213] For postal access points (post offices and postal agencies), there are criteria defined in 19 countries (AT, BE, CH, CY, CZ, DE, DK, EE, FI, HR, HU, IS, LT, LU, LV, NL, PL, RO, SI). National criteria vary a lot, reflecting the flexibility of Art. 3 (2) and Member States' competence to take specific national needs into account. According to reports of the ERGP, the three most common criteria to define density of access points are:[214]

- at least one point of contact per municipality
- a maximum distance to the points of contact
- a minimum number of points of contact

Operators interviewed for this study confirmed that the postal access network is important for parcel and e-commerce delivery services, in particular for consumers who return or pick-up parcels. A dense access network can be a competitive advantage, as online shoppers value easy return services.[215] The recent upswing in postal contact points is driven by developments in e-commerce, and online shoppers' demand.

212 See ERGP (2018), Report on quality of service, consumer protection and complaint handling, 18 (44), p. 37.

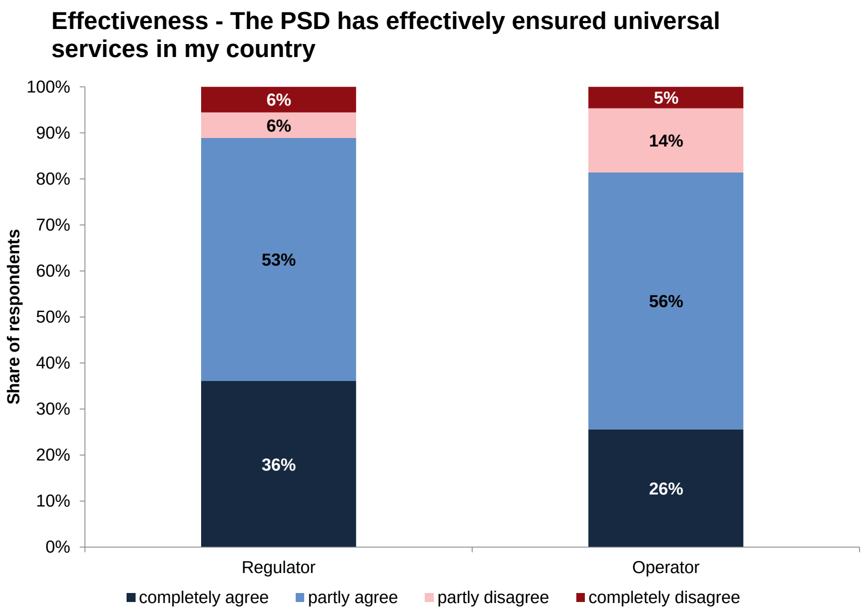
213 No information on LI. See ERGP (2018), Report on quality of service, consumer protection and complaint handling, 18 (44), p. 32.

214 See ERGP (2018), Report on quality of service, consumer protection and complaint handling, 18 (44), p. 35.

215 There is extensive research available on the preferences of e-shoppers when it comes to return services. E-retailers along with consumer associations stress the significance of simple and easily accessible return services. See, e.g., IMRG (2016), IMRG UK Consumer Home Delivery Review 2016, Parcelhero (2018), Retailers reach the point of no returns (whitepaper). In an online retailer survey carried out by Copenhagen Economics, the feature 'customer takes return parcel to a post office/collection point' was the most important compared to other features of parcel return services. See Copenhagen Economics (2013), E-Commerce and delivery, study for European Commission, p. 88.

Stakeholder survey responses

Figure 76 Ensuring universal services effectively



Source: WIK online survey 2019 / regulators and postal operators

Our findings are also corroborated by postal operators and regulators. There is broad consent among them that the Postal Services Directive has effectively ensured universal service provision (see Figure 76). In responding to the WIK online survey, more than 80 per cent of both groups at least partly agreed on the statement 'the Postal Services Directive has effectively ensured universal services in my country'.

5.4.1.2 Efficient

The analysis of efficiency covers two basic questions: first, are the costs of ensuring universal service provision proportionate to the benefits? Answering this question requires a thorough review of costs and benefits arising to various stakeholders, and an effort to quantify and, where possible, monetise them. This will be analysed in section 5.4.1.2.1. Secondly, the section will answer the question on which method ensures that universal service provision is more efficient than others.

5.4.1.2.1 Cost-benefit analysis

In addition to net cost compensations to ensure USO provision, there are administrative costs for USPs and other operators. Administrative costs for postal regulators are created by monitoring and ensuring service provision as well as the calculation of net costs and administering universal service funds. Benefits usually arise on the side of postal users (senders and receivers) and society as a whole. Table 26 provides an overview.

Table 26 Costs and benefits of universal service provision and regulation

Universal service regulation (including scope of USO, ensuring and financing universal service)	
Costs	Compensated net cost of USO / price for providing selected universal services fixed in procurement procedures in order to maintain specific services or service levels
	Total administrative costs for USPs induced by Postal Services Directive
	Administrative costs for non-USP operators
	Administrative costs of regulators (% USO regulation)
Benefits	Postal users' benefits received due to USO regulation
	Social cohesion
	Enabling reliable communication between citizens, businesses, and public institutions
	Enable access to printed newspapers
	Enable postal votes
	Create/maintain comparable living conditions in rural and urban areas (territorial cohesion)
	Enable access to affordable communication services

Source: WIK-Consult

Costs

The costs for ensuring universal service provision include compensation paid to designated USPs, compensation for services of general economic interest (SGEIs), and amounts paid by Member States in procurement procedures for selected universal services. The net cost of the USO is the cost a designated operator has to bear due to the obligation of providing the USO. It is calculated as the difference between the net costs of a designated USP subject to an obligation to provide the USO, and the same operator without this obligation.

Table 27 Overview on calculated net cost / compensation for SGEI provision

Ctry	Net cost calculation published? / Last available year	Scope of services	Postal operator	USO net cost, in % of total universal service revenues	Net cost (EUR)	Profitability (EBIT margin letter/parcel segment) 2016
AT	No	-	-	-	-	18.2%
BE	No	Net cost to be calculated in 2019 State compensation to bpost for SGEIs over 2016-2020	bpost	n.a.	Not published from 2016 on. Last available amounts of SGEI compensation: 2013: 303.720 million 2014: 304.4 million 2015: 294.3 million	25.2%
BG	2016	All universal services	Bulgaria Post	25-30%	8,979 million	-5.1%
CH	2018	All universal services	Swiss Post	10-16% (2016)	2018: 243.5 million 2016: 310.9 million	10.9%
CY	No	-	-	-	-	16.4%
CZ	2016	All universal services	Czech Post	15-25% (2016)	2016: 22.19 million 2017: 18.99 million	1.1%
DE	No	-	-	-	-	8.5%
DK	2016	n.a.	Post Danmark	n.a.	n.a.	-6.5%
EE	2018	n.a.	Omniva	5-15% (2016)	2017: 1.6 million 2018: 1.6 million	1.4%
EL	2015	All universal services	Hellenic Post	10-15%	n.a.	2.5%
ES	2010	All universal services	Correos	10-20% (reference year unclear)	2010: 196.3 million	-3.1%
FI	No	-	-	-	-	4.4%

Ctry	Net cost calculation published? / Last available year	Scope of services	Postal operator	USO net cost, in % of total universal service revenues	Net cost (EUR)	Profitability (EBIT margin letter/parcel segment) 2016
FR	No	Provision of SGEIs/newspaper distribution and extended access network in rural areas	La Poste	n.a.	2016: 223 million for access network for newspaper delivery: 119 million in 2016, 121 million in 2017, 111.5 million in 2018	5.1%
HR	2018	All universal services	Croatia Post	n.a.	92 million	8.0%
HU	No	-	-	-	-	2.0%
IE	2015	All universal services	An Post	n.a.	11.5 million in 2014/2015	-5.9%
IS	2018	All universal services	Iceland Post	n.a.	~480 million (2016)	3.9%
IT	2016	All universal services	Poste Italiane	10-15% (2013)	2015: 389 million 2016: 356 million	-11.4%
LI	-	-	-	-	-	0.7%
LT	2016	Delivery of periodicals and publications to subscribers in rural areas	Lietuvos Pastas	5-15%	2.78 million	1.5%
LU	No	-	-	-	-	4.0%
LV	2017	All universal services	Latvijas Pasts	n.a.	n.a.	4.5%
MT	No	-	-	-	-	10.5%
NL	No	-	-	-	-	9.6%
NO	No	Delivery of newspaper subscriptions in rural areas on Saturdays	Easy2You Logistikk Og Transport AS	n.a.	2018: 8.6 million	7.4%
PL	2013	All universal services	Poczta Polska	-	2013: 22.9 million	-1.3%

Ctry	Net cost calculation published? / Last available year	Scope of services	Postal operator	USO net cost, in % of total universal service revenues	Net cost (EUR)	Profitability (EBIT margin letter/parcel segment) 2016
PT	No	-	-	-	-	18.3%
RO	2015	All universal services	Poșta Română	n.a.	n.a.	7.9%
SE	No	-	-	-	-	3.9% (2013)
SI	2016	All universal services	Pošta Slovenije	5-10%	Verification not accomplished yet	5.6%
SK	2016	All universal services	Slovenská pošta	5-10%	2016: 12.9 million 2017: 13.2 million	1.2%
UK	No	-	-	-	-	5.4%

Note: The profitability relates to the EBIT margin of the letter mail and parcel segment of the designated operators.
No information available for net cost calculation in Liechtenstein.

Sources: based on Copenhagen Economics (2018), Main Developments in the Postal Sector 2013-2016; national regulator decisions and annual reports; EC state aid decisions, USP annual reports, Copenhagen Economics (2018), Report on USO net costs in Iceland

USO net costs have been calculated in 18 Member States (see Table 27), other forms of compensation have been calculated in Belgium, France and Norway. Only six USPs had a negative EBIT margin (profitability) in their mail and parcel business[216] in 2016. Those USPs are from Bulgaria, Denmark, Spain, Ireland, Italy and Poland. However, it is noticeable that there are cases where USPs receive substantial compensation even though their profitability is high (Croatia and Belgium). In two of the Member States where net costs have been calculated, the last net cost calculation dates back more than 5 years (ES[217] and PL).

There are no net cost calculations in twelve countries (no information for Liechtenstein). In addition, the calculated net cost amounted to zero in Latvia, while in Romania, ANCOM considered the net cost to not be an unfair burden. A net cost calculation is currently being undertaken in BE but has not been published yet. Taking into account that all countries within the EU and EEA face volume declines, the number of twelve countries without net cost calculations is fairly high. This may be explained by the fact that most USPs are still profitable in spite of volume declines. If there was a net cost, it would be reasonable for a profit-maximising firm to either ask for a net cost calculation by the NRA or calculate the net cost itself. Although it is theoretically possible that a USP faces a net cost and bears it voluntarily without demanding compensation, this would be very unusual behaviour. Taking into account that 26 out of 32 USPs are still profitable, and 14 thereof show EBIT margins in their mail business above 5%, it seems that USPs have been able to compensate volume declines by price increases (see price developments in section 2.1) or growth in parcels. Obviously, there are still USPs that do not regard the USO as a burden that needs to be compensated from other sources.

Calculated net costs refers to a very different scope of services. Even if the compensation refers to all universal services, the scope of universal services is different between Member States (e.g. different weight steps, different definitions of bulk services; services like delivery of catalogues, newspapers, direct mail not within the USO in all Member States). In some cases, compensation is paid for specific elements of the USO or SGEI, e.g. delivery of newspapers or a denser postal access network, making it impossible to compare the net costs on the level of services.

To compare net cost amounts between countries, Table 28 shows net cost amounts per capita. Net cost per capita varies to a great extent and ranges from less than one Euro in Poland to more than 30 Euro in Switzerland. There are two possible explanations for these differences. First, the scope of services to which the net cost calculation refers is very different, and in some countries, compensation is granted not only to ensure universal service provision but also to support more general political objectives (e.g. in

216 Based on segment reporting of the USPs. In the case where USPs do not publish segment reporting, the profitability relates to the overall EBIT margin. This is reasonable as USPs without segment reporting usually do not have much business outside postal markets.

217 The Spanish USP Correos has asked for net cost calculation for all years since 2011 but no decision has been reached yet by the Spanish regulator CNMC. See Correos (2018), Annual report 2017.

France and Belgium where SGEI compensation is granted to ensure territorial cohesion). Second, Member States apply very different methods of net cost calculation. The major methods applied are the net avoidable cost approach and the profitability approach.[218] Differences in the calculation results are also related to intangible benefits which are taken into account differently, or not at all.[219]

Table 28 Net cost per capita

Country	Calculated net cost per capita	Year 1	Calculated net cost per capita	Year 2
BE	27.17	2014	26.19	2015
BG	1.26	2016		
CH	37.34	2016	28.70	2018
CZ	2.10	2016	1.80	2017
EE	1.22	2017	1.21	2018
ES	4.22	2010		
FR	1.78	2016	1.81	2017
HR	22.41	2018		
IE	2.48	2015		
IT	6.40	2015	5.86	2016
LT	0.96	2016		
NO	1.62	2018		
PL	0.59	2013		
SK	2.38	2016	2.43	2017

Note: The figures in the table show calculated amounts which do not necessarily result in compensation for USPs. In Switzerland, there is no compensation paid. For Belgium and France, the amounts provided refer to compensation for SGEI rather than net cost.

Source: own calculation based on data in Table 27 and Eurostat data

Where compensation has actually been paid, a common reason for compensation paid is to maintain a service that has become economically unviable, and whose service or quality levels would be reduced by a commercial provider in a competitive market. Even though the services for which compensation is granted are very different, they constitute a postal service level that has been conventionally provided in the past in each of the

218 See Copenhagen Economics (2018), Main Developments in the Postal Sector 2013-2016. For more details on the methodologies, see Frontier Economics (2013), Study on the principles used to calculate the net costs of the postal USO.

219 See Frontier Economics (2013), Study on the principles used to calculate the net costs of the postal USO. For example, the only intangible benefit identified by Copenhagen Economics for Iceland Post was the reserved area, see Copenhagen Economics (2018), Report on USO net costs in Iceland. As opposed to that, WIK-Consult identified a range of relevant intangible benefits that would have to be taken into account for a net cost calculation in France, see ARCEP (2010), Definition, classification and methodology for evaluating intangible benefits related to universal postal service.

Member States, and is regarded as a standard level by the postal users in each state. Governments are obviously willing to maintain this service level and pay a price for it instead of accepting service cuts.

These findings illustrate that willingness to pay for maintaining accepted service levels is different among Member States. There may be many reasons for the substantial difference between the countries with the highest compensation amounts per capita and others. Quality differences or lower prices might be a potential explanation, but quality of service indicators do not reflect the high compensation paid in Belgium compared to other countries, while stamp prices are rather at the high end.[220] In the case of Croatia, transit time performance is higher than the performances of other USPs in its country group (namely Bulgaria and Romania Post), but lower than in many other Eastern European countries. Croatian postal users pay slightly less for stamps than in many other European countries.

Another possible explanation might be the overall societal significance of postal services and cultural differences which result in higher willingness to pay for postal services. It cannot be excluded that governments in Belgium and Croatia also finance inefficiencies of their designated universal service providers.

In addition to compensation paid for the net cost of the USO, there are **administrative costs of USPs induced by the Postal Services Directive**. Some of the costs listed below relate to other regulatory aspects than ensuring universal service. The reason for summing up Postal Services Directive-related administrative costs for USPs lies in the difficulty of calculating or estimating such data for the operators. According to interviews with USPs, such data cannot be obtained from standard accounting data and are very laborious to calculate for internal controlling departments. USPs that have calculated such costs relate these to postal regulation rather than to specific elements of postal regulation:

- Apply for and renew authorisation to provide universal postal services
- ensure compliance with conditions laid down in authorisation/license
- reporting on universal service performance
- other reporting duties to the national regulator related to universal service provision

220 Quality of service measured by transit time performance has declined in Belgium during the last few years and is comparable to other Western European countries, see section 2.2. Quality of service can also be indicated by e.g. the number of citizens served by a post office: the lower the number of citizens which need to ‘share’ a post office, the higher the density (quality) of the network. Although bpost faces a number of regulatory restrictions on the distribution of its post offices, a Belgian post office serves on average more than 5,600 citizens, a lot more than in France (~3,900) and only a little less than in Germany (~6,200). A Belgian private sender pays EUR 1 for a single stamp in the lowest weight step.

- maintaining separate accounts for universal and non-universal services, and reporting to NRAs
- calculate net cost and report to NRAs (where required by domestic legislation)
- provide downstream access
- provide access to elements of the postal infrastructure
- request approval for tariff increases subject to price regulation
- comply with required pricing principles, including having to offer some universal services below costs to respect the affordability principle
- complying with rules on complaint procedures, including reporting and participation in dispute resolution procedures

Only two USPs have undertaken the effort to produce cost figures for costs of regulation, namely An Post (IE) and Royal Mail (UK), as shown in Table 29.

Table 29 Costs of regulation (USP)

Member State	USP	Year	Cost (million EUR)	% of relevant turnover	EUR per capita
IE	An Post	2016	1.8	0.4%	0.38
UK	Royal Mail	2016/2017	8.7	0.1%	0.13

Source: ComReg (2017), Submissions in response to consultation on Draft Postal Strategy Statement, p. 16.

Relevant turnover in these cases refers to turnover of universal services and services within the scope of the USO. The calculations for An Post and Royal Mail should be interpreted with care for two reasons. First, the regulatory regime in the UK, and to some extent also in Ireland, stand out among the regulatory approaches applied in other Member States. British Ofcom and Irish ComReg comprehensively monitor their USPs in many more aspects and much closer than in most other Member States, requiring both data and detailed background information from operators that have to be compiled specifically for monitoring purposes. Both NRAs also have a tradition of engaging with stakeholders, and have regular public consultations, in which USPs' views on contributions of other stakeholders are sought which further increases the regulatory burden for USPs. Second, we assume that not all of these costs are induced by the Postal Services Directive. Even in the absence of the Postal Services Directive, there would be national postal regulation inducing administrative costs for operators. The figures given in Table 29 should therefore be understood as upper limits for estimating administrative costs of the Postal Services Directive for other USPs.

Using the relation between USP costs of regulation provided by Royal Mail and An Post, on the one hand, and postal regulator budgets in these Member States, on the other hand, it is possible to estimate the costs for USPs to cope with postal regulation in other countries.

Table 30 Estimate of USP costs of postal regulation

	Estimate for USP costs (mio. EUR)		Estimate for USP costs (mio. EUR)
AT	1.10	LT	0.27
BE	7.95	LU	1.32
BG	0.49	LV	0.16
CY	0.76	MT	0.61
CZ	0.44	NL	1.68
DE	12.76	PL	0.42
DK	0.80	PT	3.49
EE	0.22	RO	4.40
EL	1.66	SE	4.96
ES	2.97	SI	0.48
FI	1.54	SK	1.12
FR	4.52	UK	6.19
HR	5.16	IS	0.41
HU	1.12	LI	n/a
IE	3.02	NO	0.65
IT	5.33	CH	3.82

Source: WIK estimate

The estimates provided in the table above amount to a total cost of EUR 74.9 million in 2018 for the 28 EU Member States, but it should be kept in mind that the real USP cost of regulation is likely to be lower. The estimates are based on country-specific examples that may not be representative for other EU Member States, as explained above, and should be interpreted as the maximum possible cost of regulation for USPs within the EU.

Non-USPs also face **administrative costs** for ensuring universal services in addition to other administrative costs for these operators induced by the Postal Services Directive. Such costs are induced by authorisation procedures, reporting obligations to national regulators, and complying with rules on complaint procedures. Based on interviews with non-USP operators, we have estimated administrative costs for non-USPs to be much lower than for USPs due to the reduced extent of obligations and compliance requirements. We estimate these costs to range between 0.01 and 0.05% of turnover for universal services or services within the scope of the USO.

In cases where competing postal operators have to contribute to compensation funds, these costs are already included in the compensation amounts for USO net costs listed in Table 27. Similarly, non-USP postal operators have to contribute to the funding of national regulators in 20 Member States as well as in CH, IS and NO. These costs are borne by non-USP operators but we do not include them here to avoid double counting.

The **administrative costs for postal regulators** are estimated according to the approach described in section 5.2. Based on expert reviews, provided by European NRAs, we estimate the share of regulator budgets dedicated to ensuring and monitoring universal service provision and financing to 38 per cent, on average.

Applying this share on postal regulator budgets in all 32 countries, these costs range between EUR 18.3 million and EUR 17.2 million for EEA (incl. CH) and EU-28 countries, respectively (see Table 31). Per capita, regulator budgets within the EU amounted to EUR 0.04 within the EU.

Table 31 Administrative costs of regulators: monitoring and ensuring universal service provision

Countries	Total regulator budget (million EUR)	Regulator budget per capita
EEA, CH	EUR 18.3 million	EUR 0.03
EU-28	EUR 17.2 million	EUR 0.04

Source: WIK estimate based on NRA survey

Benefits

Ensuring universal service provision produces benefits for postal users and society as a whole (see Table 32). Postal users of universal services include receivers and senders. Senders are consumers who use universal service products like stamped letters, but also businesses whose volumes are not big enough to have access to individually negotiated contracts or other non-USO products. Receivers are basically all individuals, businesses, NGOs and public institutions that receive mail. In addition to users, society as a whole benefits from universal service provision although the impact is indirect.

Table 32 Stakeholders benefitting from universal service provision

<table>
<tr><th colspan="3">Stakeholders</th><th>Examples for main benefits</th></tr>
<tr><td rowspan="4">Postal users</td><td rowspan="3">Senders using universal service products</td><td>Consumers</td><td rowspan="4">• Ensure businesses and public institutions have communication channel to citizens and other businesses/public institutions
• Enable economic activity
• Reliable and affordable postal services
• Accessibility of postal services for all users, including vulnerable groups
In the past also:
• Enable fast communication between citizens, businesses and public sector</td></tr>
<tr><td>Small and medium-sized businesses (SMEs)</td></tr>
<tr><td>Non-profit organisations</td></tr>
<tr><td colspan="2">Receivers</td></tr>
<tr><td colspan="3">Society as a whole</td><td>• Social cohesion
• Create/maintain comparable living conditions in rural and urban areas (territorial cohesion)</td></tr>
</table>

Benefits for stakeholders may vary depending on the specific national situation, but there are main benefits which are significant for all Member States to some extent. **In the past**, stakeholders benefitted from universal postal services as they enabled participation in economic activity for senders using universal service products. This was particularly important for users in rural or remote regions as well as in mountain or island areas where alternatives to universal services were not as readily available as in densely populated areas.

Today, the role for universal services (and its benefits) for these purposes has diminished but still exists and remains relevant. In our view, the three main benefits of universal postal services are

- the role of postal services as a communication channel of last resort
- nationwide accessibility of universal postal services
- providing access to basic financial services

An important benefit from the view of public institutions and businesses is that universal service enables them to reach out to each and every citizen (or customer) in a country – including those whom they cannot reach digitally. In this respect, postal services may be characterised as a ‘communication channel of last resort’.

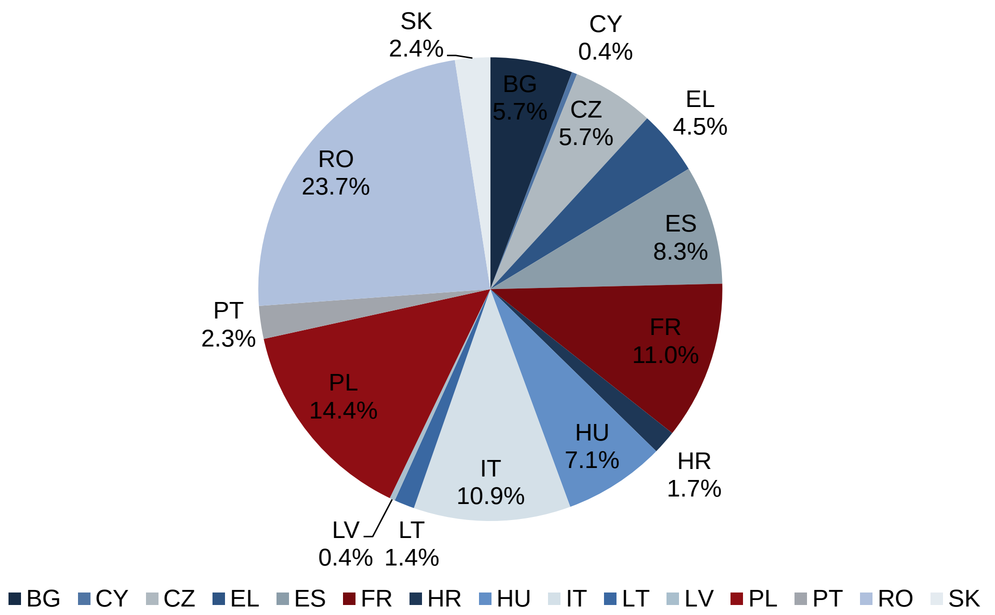
Universal postal services have a function as a channel of communication with so-called non-onliners (people without internet access), or citizens not able or willing to use digital communication. This function of postal services is important even in countries that have implemented far-reaching digital communication solutions, including e-government. In countries like Estonia, Denmark, or Norway, where comprehensive digital communication solutions are applied, universal postal services are a kind of last-resort-communication for a certain segment of the population. Although this segment might be small, there are in practice no other communication means to reach out to these citizens.

In countries without such e-government solutions, the benefits of universal postal services are relevant for a larger share of the population (also see section 1). The share of individuals never using the internet was below 5 % in the Scandinavian EU members, as well as in LU, NL, and UK, but the share represents more than 20 % in RO, HR, PT, EL, and BG. On average, every tenth citizen in the EU has still never used the internet in 2018.[221] Even among internet users there is a substantial share that does not use e-government solutions. This share is higher than 50 % in Malta, Germany, Poland, Italy, and Greece. For these citizens, universal postal services are an important – and often the only – channel for exchanging written communication with businesses and public institutions.

Another important benefit is **nationwide accessibility of universal postal services**. Postal users benefit from a nationwide access network to universal services, as it enables them to, among others, communicate, send and receive e-commerce goods, and interact with customers and suppliers. In many countries, **financial services are also offered in postal contact points**. This is an important benefit to people in rural areas without access to other banking services, i.e. unbanked people. Although comprehensive data on EU level are lacking, World Bank data indicate that there are at least 29.7 million unbanked adults in 15 out of 28 Member States, see Figure 77.[222] The other 13 Member States have not been covered by World Bank research. The number of unbanked people in all EEA Member States is likely to be much higher. A dense post office network also offering access to financial services, such as money transfers and pension payments, therefore provides benefits for a minimum of about 30 million European citizens.

221 See EC (2018), Digital Economy and Society Index Report 2019, Use of Internet Services.
222 See World Bank (2017), Global Findex Database Report 2017.

Figure 77 Unbanked people in 15 EU Member States.



Source: Based on World Bank (2017), Global Findex Database Report 2017

The examples of France and Belgium illustrate that there are substantial benefits in providing a dense access network, in particular in rural areas (see Case study 11 and Case study 12).

Case study 11: Benefits of postal access network in France
In France, a contract between the USP (La Poste), the State, and an association of French mayors manages the presence and accessibility of postal contact points. French postal law requires that there has to be a minimum number of 17,000 postal contact points in the whole area of the country. In the contract, La Poste commits to maintain more than this minimum number. These additional contact points are run by local communities and provide basic postal and financial services. The contract defines so-called 'priority zones' in which a postal contact point is provided: for example, municipalities with less than 2,000 inhabitants as well as deprived urban areas and DOM overseas areas (*domains d'outre-mer*). A fund is set up to finance these additional contact points. The overall annual budget of the fund is EUR 174 million for the three years 2017-2019.

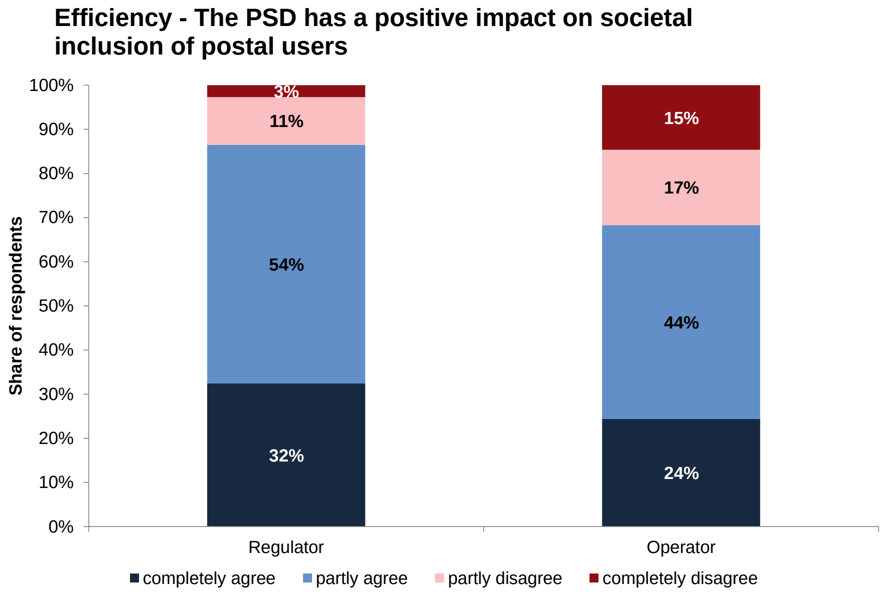
Source: Association des maires de France (2017), Contrat de présence postale territoriale 2017-2019

Case study 12: Benefits of postal access network in Belgium
Belgian postal law requires the USP (bpost) to run a post office in each of the 589 municipalities but does not define other criteria to determine how the network is set up. In contracts between the State and bpost, there are additional public service missions defined for bpost which fall within the scope of services of general economic interest (SGEI). An important part of these services are the network SGEIs, which define the density of the access network in more detail. The contract agrees the following is provided in addition to legal requirements: • Postal access network in excess of number required by law: at least 650 post offices, at least one post office in each of the 589 municipalities. bpost offers a complete range of universal services in each post office • Automated teller machines in at least 350 post offices • At least 1,300 postal service points (incl. post offices) • Post offices shall be open at least a certain number of hours per week, outside working hours • Ensure accessibility of post offices: a contact point within 5km for 95% of population, within 10km for 98% of population • Ensure accessibility of post offices for disabled people • Improve quality in post offices (waiting times, customer interaction) bpost agrees to also provide specific financial services, delivery of newspapers and magazines as well as a category of services called ‘ad-hoc SGEI’ comprising a range of different services including delivery of election documents, free services for the blind, the social role of the postal staff, etc. For all these SGEIs, bpost received a compensation of EUR 303.7 million in 2013, EUR 304 million in 2014 and in 2015 EUR 294 million. It is reasonable to assume that benefits for postal users are at least as high as the negotiated and voluntarily agreed State budget for the contract. However, it is not possible to distinguish the share of access network criteria.

Source: Fifth management contract for bpost

The Postal Services Directive also played an important role in ensuring societal cohesion. The majority of regulators, as well as operators, fully or partly agreed that the Postal Services Directive has had a positive impact on societal inclusion of postal users (see Figure 78).

Figure 78 Efficiency of Postal Services Directive: societal inclusion of postal users



Source: WIK Stakeholder online survey 2019 / regulators and postal operators

Comparing costs and benefits

We found that total costs per capita are modest, with exceptions in some countries where huge amounts of compensation is paid. Table 33 shows that the sum of administrative costs for USPs and regulators are below EUR 0.20 per capita, on average. As administrative costs for USPs are rough estimates which should be understood as a maximum, these costs will in practice be less than the amount provided in the table in many Member States. In addition, there is net cost compensation paid but not in all Member States, and to very different extents.[223]

Table 33 Costs for ensuring universal service provision per capita

Countries	Administrative cost of USPs per capita	Regulator budget per capita	Net cost / other compensation per capita
EEA, CH	up to EUR 0.15	EUR 0.03	EUR 0-6.40
EU-28	up to EUR 0.15	EUR 0.04	EUR 0-6.40

We estimate that costs per capita for ensuring universal service provision are below one Euro per year in many Member States. Although a monetised estimate of benefits is not

223 To avoid a false impression, the calculated net cost or compensation amounts in Belgium, Croatia and Switzerland have not been taken into account for this summary.

possible, the provision of universal services affects all citizens, businesses and the public sector. Summing up, we assess the costs per capita as being adequate given the huge benefits.

5.4.1.2.2 Comparing approaches to ensure and finance universal service provision

The Directive provides three options for ensuring universal service provision, as detailed in section 5.3.1: designation, procurement, or a market-based approach. Irrespective of which mechanism is applied, Member States have to respect the principles of objectivity, non-discrimination, proportionality and least market distortion. In reality, national regulatory authorities did not appear to give much consideration to the most appropriate approach for the specific conditions and user needs in their country, nor whether a market-based approach would be sufficient for all or at least some universal services.[224]

Practically all but one of the Member States rely on **designation** of a USP to ensure universal services provision. In these countries, the provider of universal services is the incumbent postal service provider. There are currently no examples where several entities have been designated as USPs. Designating an operator as a USP imposes far-reaching obligations on a single operator, and may have a potential to cause high costs for USPs in the context of declining volumes. According to the last two studies on 'Main Developments in the Postal Sector', only a minority of Member States has carried out studies or analyses on whether market forces would be sufficient to ensure and finance universal service provision.[225]

Procuring universal services is scarcely applied, and evaluation has to rely on few experiences regarding this approach. So far, Belgium and Norway are examples of procurement procedures for universal services where more than one operator submitted a tender (see case studies). There are other countries where formal procurement procedures have been carried out (e.g. in EE) but where the NRA had no choice between different operators due to a lack of tenders from other providers.[226] In AT, the NRA regularly consults non-USP operators whether they would be interested in submitting a tender if universal services were procured. However, competing operators in AT were not interested in participating in a procurement procedure for the whole scope of universal services.

224 See WIK-Consult (2013), Main Developments in the European Postal Sector 2010-2013, p. 132 and 135 f.
225 See Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016) and WIK-Consult (2016), Main Developments in the Postal Sector (2010-2013).
226 See Estonian Competition Authority (2015), Annual Report 2014, p. 29.

Case study 13: Procurement of newspaper delivery in Norway
Due to the reduction of the legally required delivery frequency from 6 to 5 days per week in Norway, the Norwegian government decided, in 2016, to procure newspaper delivery on Saturdays. The procurement referred to newspaper delivery for subscribers in rural areas which were defined by postcodes. In urban areas, publishers deliver newspapers to their subscribers themselves rather than using the postal network. There have been two rounds of procurement until now. The first period covered three years (2016-2018), the second two years (2019/2020). There were two bids in each round: while in the first period Posten Norge did still apply, it did not take part in the second round. In both periods, competitors have won the contract. The procurement conditions require that newspapers have to be delivered to recipient by latest 17:00 on Saturdays. Tenderers may choose whether to deliver by day or night. In addition to conditions on economic and technical capacity for the tender, there has to be a system for quality assurance. In June 2019, the Norwegian Parliament adopted a proposal for further reducing delivery frequency to an alternate day delivery model from July 2020 onwards. The Ministry therefore plans to continue the procurement of newspaper delivery, at least for a transition period, on three fixed days of the week (Tuesday, Thursday, Saturday) when the new law comes into force. In order to enhance the number of bidders in the future to three, the procurement design will be changed to divide the rural areas into several geographical areas for which tenderers may bid. However, the Ministry states '*at the same time, it is important that the newspaper industry has incentives to move its readers over to digital platforms*.' (Stortinget (2018), Innst. 302 L, Innstilling til Stortinget fra transport- og kommunikasjonskomiteen.

Sources: Samferdselsdepartementet (2018), Leveringspliktige Posttjenester - Levering av aviser i abonnement på lørdager, Kravspesifikasjon and Tilbudsinnbydelse; Official Journal of the European Union (2018), Contract award notice, Norway-Oslo: Postal services related to newspapers and periodicals 2018/S 166-379633; Stortinget (2018), Innst. 302 L, Innstilling til Stortinget fra transport- og kommunikasjonskomiteen; Interview with Norwegian Ministry of Communications and Transport

Case study 14: Procurement of newspaper delivery in Belgium

In the context of a state aid review on services of general and economic interest in Belgium, the European Commission (EC) decided in its Decision of 2 May 2013, that the concession for the distribution of acknowledged newspapers and magazines has to be tendered in a transparent and non-discriminatory procedure from 1 January 2016 onwards. The Belgian regulator, BIPT, was given the assignment to implement this. In order to carry out a procurement process, the regulatory framework had to be adapted as the distribution of newspapers and magazines was entrusted exclusively to bpost before. In addition, the EC proposed a detailed time-plan and steps for the tender procedure. Both steps took up to three years to complete. The EC considered this long procedure suitable as it was expected that the competition needed time to manifest itself and also considering the required national coverage and high quality standards.

BIPT published the tender requirements on 9 April 2014. Apart from the formal exclusion grounds (criminal activities, bankruptcy, etc.), the future concession holder should have realised at least EUR 50 million revenue in the last three years in respect to setting up and managing distribution networks, in particular the distribution of newspapers and magazines. Selection criteria were stated price and quality of the proposal, both with a weight of 50%.

In regard to the quality, the concession holder should have national coverage (or at least proof of ability to roll out nationally within one year) and it should prove that it was able to deliver the services. BIPT created two separate lots in the tender; one for the national distribution of newspapers and one for the national distribution of magazines. Furthermore, bidders should have implemented a complaint registration system and were required to achieve a quality standard of maximum 7 complaints per 10,.000 deliveries.

Withdrawals from the tender process

The BIPT selected 3 candidates in the first phase: current supplier and former monopolist bpost as well as competitors AMP (Agence et Messagerie de la Presse) and BD Group (Belgique Diffusion). However, BD indicated on 14 April 2015 that it no longer participated in the tender procedure after agreeing to a management buy-out of its PPP division which is responsible for press distribution. Candidate AMP announced on the last day of the deadline that it no longer wished to submit an offer, hence only bpost put forward a bid on 15 May 2015. In this regard, it is noted that bpost announced on 5 February 2016 that it acquired the Belgium activities of Lagardère Travel Retail, including AMP.

However, based on the published questions and answers during the concession procedure one can also derive further possible reasons for the non-bids of AMP and BD while looking at it from a business perspective;

- On the requirement side, bidders had to face two requirements that would have increased their costs: first, the obligation to roll-out a nationwide network within a year; second, the required complaint registration system and high quality standard (maximum of seven complaints per 10,000 delivered newspapers and magazines)
- On the income side, there were uncertainties on the income that bidders would be able to achieve. The methodology for compensating the concession holder for its net costs of delivering the newspapers and magazines was not yet determined. In addition, and more generally, this service is considered as a 'last resort', meaning that publishers still have the freedom to use other distribution systems - a major source of uncertainty on expected revenues.

Results of the tender procedure

The Council of Ministers awarded the distribution concessions to bpost on 16 October 2015 for a five-year period, taking effect from 1 January 2016. The tender procedure introduced an efficiency sharing mechanism that did not exist before, and is beneficial for the concession holder. Provided bpost meets the quality targets, bpost is allowed to keep 67% of its achieved efficiency gains regarding the provision of the relevant services. The remaining 33% of efficiency gains must be forwarded to the end customer. There are no sanctions in the case when the quality target is not met. Although this mechanism sets incentives for quality improvements, there is no good reason why this should not have been possible by designation.

The EC noted in the review of the relevant state aid case that "..*the tender procedure did not unravel exactly as envisaged…*" *"and that the best and final offer was not competitive (as envisaged by the EC) but negotiated between the government and bpost."* In addition, the EC noted several aspects of the tender design that did not contribute to ensuring that the service provisioning is done at the least cost; the division of the distribution in two separate national lots (newspapers and magazines) was questioned. Here the EC suggested that a geographical division might have been more encouraging for smaller competitors to participate especially as competition so far has been on a local basis. The significant weight (50%) of the qualitative criteria and the proven ability to provide the services could have benefited bpost as the incumbent supplier. In light of the administrative cost for bidders and BIPT, as well as the cost of amending the regulatory framework, it is unclear whether the procurement procedures has yielded sufficient benefits to be justifiable, taking into account that such quality improvements could have been achieved also by other approaches – either designation, a market-based approach, or a combination of both for different areas.

Sources: EC (2013), State aid case SA.42366 and
BIPT (2014), Dienstenconcessie voor de bedeling van erkende kranten (perceel 1) en de bedeling van erkende tijdschriften (perceel 2) - aankondiging van concessie en oproep tot het indienen van kandidaturen;
see para 2.3.4, point 41 of Steunmaatregel nr.– België
http://ec.europa.eu/competition/state_aid/cases/263633/263633_1773810_126_2.pdf and
http://www.dppp.be/en/ppp and https://www.bdmyshopi.com/nl/historiek;
see https://corporate.bpost.be/media/press-releases/2016/05-02-2016?sc_lang=en;
see https://www.bipt.be/en/operators/postal/distribution-concession-of-newspapers-and-periodicals/vragen-en-antwoorden-over-het-bestek-met-betrekking-tot-de-dienstenconcessie-voor-de-bezorging-van-erkende-kranten-en-de-bezorging-van-erkende-tijdschriften and
https://www.bipt.be/en/operators/postal/distribution-concession-of-newspapers-and-periodicals/second-series-of-questions-and-answers-on-the-specifications-for-the-service-concession-regarding-the-delivery-of-acknowledged-newspapers-and-periodicals;
see https://www.bipt.be/en/operators/postal/distribution-concession-of-newspapers-and-periodicals?page=1 and BIPT annual report 2015, page 25; See article 316 and 317,
http://ec.europa.eu/competition/state_aid/cases/263633/263633_1773810_126_2.pdf;
see article 144, 145, 148,
http://ec.europa.eu/competition/state_aid/cases/263633/263633_1773810_126_2.pdf

In Belgium and Norway, procurement approaches as well as results have been very different. While the Belgian USP, bpost, won the procurement procedure, a competitor had won the contract in Norway. Comparing the two procurement approaches, it is apparent that the design of the Belgian procedure is much more demanding for bidders and thus makes it more difficult for competitors: all delivery days (BE) vs. delivery on Saturday (NO), national coverage (BE) vs. defined rural areas (NO).

It becomes obvious from comparing these examples (as well as experiences in Austria and Estonia), that procuring for *all nationwide* universal services as a whole is not likely to bear fruits if a Member State intends to attract several bids. In Belgium and Estonia, alternatives to the incumbent operator were lacking. There are mostly small and/or regional operators which have little chances for success in procurement procedures as they lack one or more of the required features, like full coverage, scope of services offered, or ensuring accessibility. Thus, they are not eligible for the procuring authority. Procuring the *whole* scope of universal service does not yield additional benefits for postal users compared to designation, but the procedure is much more costly than designating an operator. Procuring selected services or for specific regions will attract more bidders and allow Member States to choose from a range of bids with different quality and prices, as the Norwegian example shows. In addition, procurement procedures create more transparency, both for regulators on the activity and ability of operators to provide universal services, as well as for the general public on the process of determining and compensating a provider of universal services. While we do not recommend to apply procurement procedures in all Member States or for all universal services, such procedures could certainly be applied in more areas than we have seen in the past. Procurement can improve the efficiency of financing the USO as the inherent efficiency incentives are stronger.

The third option to ensure universal services, a **market-based approach**, is applied in one country only (Germany). In this case, market forces are relied upon to provide universal services.[227] The German NRA regularly monitors the provision of universal services. Although there have been an increasing number of complaints by postal users in the last few years and reports about regional shortcomings with delivery frequency and quality of service, the regulator stated that, overall, universal service and related quality criteria have been met.[228] Deutsche Post has neither asked for financing in addition to its revenues, nor has it announced to reduce frequency of delivery or other quality features, not even for islands or mountain areas since the market-based approach was introduced in 1998. Summing up, the market-based approach exhibits equivalent results in terms of quality and nationwide service provision compared to designation, but at lower costs. However, there are no other experiences with the market-based approach to support this conclusion and one specific case cannot necessarily be transferred to other Member States - particularly to Member States that have less competition in postal markets, and where USPs consequently have more market power to ignore consumer demands.

Financing

The mechanisms for ensuring universal service provision are connected to the financing options allowed by the Postal Services Directive. Since the 2008 amendment, reserving services for a designated operator as a financing mechanism is no longer permitted. After 2008, Member States need to analyse if the obligation to provide universal service

227 See EC (2015), Report from the Commission to the European Parliament and the Council on the application of the Postal Services Directive (Directive 97/67/EC as amended by Directive 2002/39/EC and Directive 2008/6/EC), COM(2015) 568 final, p. 13.
228 See Bundesnetzagentur (2019), Jahresbericht 2018, p. 101.

entails a net cost and is an unfair financial burden on the USP as laid down in Art. 7 (3). In that case, Member States may rely on State funding and/or a sharing mechanism (compensation fund).

While procuring universal services is a mechanism to ensure that universal service is provided, it is also a financing mechanism. From an economic perspective, Member States may apply procurement procedures to increase competition for a market if the level of competition within a market is low (or competition does not exist). The other options for financing may apply if the universal service entails a net cost. In that case, Member States may choose to compensate the USP directly from public funds. Alternatively, the net cost may also be shared among market players and/or users, according to Article 4 (3b).

The majority (18) of Member States have legally authorised **compensation funds** for sharing the net cost of USO among several providers, but only four have in fact established and activated a fund: DK, EE, PL, and SK.[229] Typically, providers of postal services within the scope of universal service, including the USP, have to contribute to a compensation fund, e.g. as a fee per item or a share of their turnover. In Estonia, the fees per item amounted to EUR 0.08 per item of correspondence (ordinary letter) and EUR 0.40 for registered and insured letters in 2018. There was an option to introduce a charge for parcels but it was not applied in 2018.[230] In Estonia as well as in other Member States, the USP as the market-dominant provider of postal services has to bear the majority of contributions to the fund from which it is compensated.

Additionally, there have been disputes on the criteria to determine which postal operators have to contribute to the fund. In Italy, a conflict on this question between express operators and an Italian association of transport and logistic operators (Confetra) and the postal NRA, AGCOM (supported by Poste Italiane and the Ministry of Economic Affairs), went through national courts before it was brought before the CJEU.[231] Although the final ruling of the CJEU confirmed express operators would need to contribute to the compensation fund, AGCOM did not find it appropriate to activate the compensation fund. This decision took into account the changes in frequency of delivery in rural areas, leading to substantial cost reductions for Poste Italiane, and the high administrative cost for establishing the fund.[232]

There is also an economic argument against compensation funds as a means to finance the USO. When there is a net cost of the USO, this is often driven by volume declines, but the efficiency and commercial flexibility of the USP also play a role. Its ability to develop a market, offer value-added postal services which may not be

229 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery, p. 60.
230 See Estonian Competition Authority (2018), Overview of the Estonian postal market and future developments, presentation at WIK Königswinter Postal Seminar, 6 February 2018.
231 See CJEU (2018), Decision of 31 May 2018, joint cases C−259/16 and C-260/16.
232 See AGCOM (2016), Delibera N. 166/16/CONS, Allegato B; AGCOM (2017), Delibera 298/17/Cons

substituted as easily as bills and invoices, and be successful in e-commerce delivery are also important factors. A USP with inefficient postal operations and low level of commercial success has a much higher risk of facing problems to sustainably finance the USO. Sharing the burden among other operators with greater commercial success, such as express operators, may be understandable from the view of the national treasury, but sets low incentives for the USP for improving its efficiency. More importantly, it negatively affects the competitive situation of competitors that have to contribute to the fund. The impact of compensation funds on competition, however, depends on the design of the contribution mechanism. Where the USP as the market-dominant operator has to bear the major share of the contribution, a compensation fund would be a complicated mechanism to transfer financial charges from one pocket of an USP to another. Where competitors have to bear major shares of the contributions, it is a mechanism to choke off or at least negatively affect competition.

Net Cost

Financing from public funds or by establishing a compensation fund is only permissible if a net cost of the universal service obligation has been determined and additionally represents an unfair financial burden on the universal service provider. The methodology for calculation of the net cost has been established in Annex I of the Postal Services Directive since Directive 2008/6/EC. Annex I provides guidance on the calculation methodology but does not go into details. Thus, Member States have to adapt the guiding principles of Annex I to their national situation and develop a calculation methodology that is consistent with Annex I.

Research question 7:	**Were there market failures in the cases where no designation occurred?**
No. Procuring universal services in BE and NO has effectively ensured provision of these services. In DE, market forces have provided very good results in the past. Deutsche Post as the market dominant provider of postal services delivers and collects all universal services nationwide. In addition, there are several end-to-end competitors for letter services, delivering mail in specific areas including rural areas. The number of access points comply with the density requirements of the German postal legislation. For parcel services, Deutsche Post DHL has increased its access points significantly in the last 5 years, driven by market developments (e-commerce). However, the German NRA reported an increasing number of user complaints on temporary closures of postal contact points, lack of delivery on Mondays and on delayed deliveries since 2016. The authority is concerned about these (mostly regional) quality of service reductions but acknowledges that, overall, transit time requirements have been met.	

Source: Bundesnetzagentur, Annual reports 2015-2018

Research question 8:	Were there problems with the designation of the universal service provider (no willing provider, cases contested in courts, cases where no designation could be done)?

No. In the Member States where designation is applied to ensure universal service provision, the designated operators are the historic national postal operators which are market-dominant without exception. The status as designated operator has many advantages, including VAT exemptions, an increased trust in the brand by users, enhanced corporate reputation, privileged access to the philately market, an advantage for recruiting new staff, exemptions from customs regulation, exemptions from transport license, and improved relations to public institutions as well as government. These intangible benefits have been taken into account by European NRAs in decisions on net cost calculations. Intangible benefits amount to substantial financial advantages, making it very unlikely that there would not be a willing provider for the universal service.

Source: For background on intangible benefits and a discussion of their relevance, see e.g. WIK-Consult (2010), Definition, classification and methodology for evaluating intangible benefits related to universal postal service, a report for ARCEP

Research question 9:	What's the impact of designation on competition?

Experiences from several Member States show that competition has developed to a similar extent in markets with designated operators like NL, SE, UK, and in the only Member State without a designated USP (DE). Thus, designation does not seem to be an insurmountable obstacle for the development of some competition. However, designation has been chosen in practically all Member States without even considering the option to follow a procedure that would enable more competition. Postal ministries and regulators in only 3 countries in 2013 (HU, PT, NO) and in 6 in 2016 (CH, CZ, EL, IE, PT, NO) carried out such studies.

There are no examples in the postal world of how postal markets would have developed if there would never have been a designated, state-owned operator. Designated operators are always market dominant operators that benefit from huge economies of scale, established customer relations, long-standing reputation, experience and financial backing. In practice, it is not possible to distinguish the impact of designation from these factors. Yet, we see no fundamental obstacles for more competitive approaches in most countries - at least for defined areas, services, or customer groups.

Source: WIK-Consult (2013), Main Developments in the Postal Sector, p. 135; Copenhagen Economics (2018), Main Developments in the Postal Sector, Country Fiches.

Research question 10:	To what extent is the provision of the USO completely financed in every Member States (i.e. methods for net cost compensation, map of compensations asked and approved, amounts asked/compensated/MSs)?

In the recent past, the vast majority of USPs has managed to be profitable in their mail operations. With few exceptions, USPs report positive EBIT margins up to 5%, some even higher than 10% (e.g. BE, CH, NL, PT, CY). There was only one USP (Bulgaria Post) that reported negative EBIT margins between 2013 and 2016, another eight USPs out of 31 were unprofitable in one or two years during that period. Although some USPs have asked for, and received, additional funding for the provision of universal services, the primary source of funding stems from postal revenues.

Source: Copenhagen Economics (2018), Main Developments in the Postal Sector, p. 49 f.

Research question 11:	**What were the effects of the financing mechanisms applied on the sustainability of the USO, can a correlation be established between chosen financing mechanism and sustainability?**
Research question 12:	**Do different financing models have an impact on the efficiency of the universal service providers?**

In most Member States, designated operators are compensated from State budgets, if needed, or from compensation funds in a few cases. The choice of the financing mechanism is driven by political reasons rather than by economic arguments.

Theoretically, a financing mechanism with implicit incentives to improve efficiency of service provision will also support sustainability. From an economic perspective, it would be desirable to apply mechanisms with greater efficiency incentives than other mechanisms. Taking into account that compensation funds have proven to be neither successful nor easy to implement, the mechanism with greater efficiency incentives is procurement of universal services.

Research question 13:	**Is the cost of financing the USO proportionate to the benefits to users and society?**

In those cases where net cost have been compensated, compensation amounts account for up to 15% of USO revenues, with few cases of higher compensation paid. Benefits to users and society in general are not quantifiable, and benefits are very different in Member States – e.g. ensuring a specific density of post offices in rural areas, maintaining post offices instead of agencies, delivering five days per week instead of reducing frequency, or preventing price increases. **It seems reasonable that national regulators and policy makers have made an informed choice to finance net cost, and have taken benefits for postal users into account. It seems reasonable to assume that compensation would not be paid if the costs of doing so outweighed the benefits.**

Research question 14:	**Is the Postal Services Directive net-cost calculation formula understandable and usable? Does it cause problems? What type of problems?**

The main problem with net cost calculation is not the formula, but the counterfactual scenario which is hard to develop. Costs and revenues have to be developed for a completely hypothetical scenario. As a practical matter, any such calculation has to depart from the accounting information that is available from the USP, and therefore models are likely to differ substantially among member States.

The counterfactual scenario has to be developed individually for each Member State in which a net cost calculation is undertaken. Providing additional guidance will not make the task of developing the counterfactual any easier. Mutual exchange among NRAs in the ERPG could advance expertise in the NRAs to review and evaluate net costs calculations presented by their USPs, or to give guidance to their USPs domestically.

Research question 15:	**How much does it cost to implement the Postal Services Directive net-cost calculation formula? Can NRA's verify the provided data?**

It is obvious the calculation of net cost is an additional effort for USPs which may be burdensome. Developing the counterfactual scenario is **not possible based on accounting data alone**. However, an operator will only calculate net cost if it expects to be compensated.

NRA have to verify plausibility of the data provided by the USP. In many cases, NRAs seek support from external consultants. The ERGP may provide estimates.

Overall, the cost for developing and reviewing net cost models does not appear disproportionate compared to the possible amounts of compensation at stake.

Research question 16:	**Is there a correlation between the financing formula and the QoS?**

The implicit relation between financing universal service and quality of service is in most cases related to maintain the level of quality of service that has been provided in the past. There are no cases in which Member States used financing mechanisms as a vehicle to improve quality of universal services. In the case of net cost compensation, the quality of service provided by the USP is taken into account in terms of, among others,. delivery frequency and density of the access network. In case of procurement procedures, the impact on quality of service depends on the design of the chosen financing mechanism (see case studies on procurement procedures in BE and NO). Where a market-based approach is chosen, the quality provided is a decision of the operator in the first place, and the regulator may intervene if the required service quality is not met. There is no indication that Member States that provide more financing to their USPs provide better postal services to their citizens.

Research question 17:	**Are MSs resorting to other means of compensation such as state-aid, cross-subsidisation, etc.? Which MSs are doing that and with what impact (percentage of providers' revenue)? How does it impact competition in mail/parcels? National/intra-EU?**

We have no information about Member States that are resorting to other means of compensation in response to difficulties with implementing the net cost compensation established by the Postal Services Directive. The current alternative systems for compensation (e.g. for delivery of press, or support for the post office network) typically precede the 2008 Postal Services Directive, and thus cannot be seen as a response to the Postal Services Directive’s guidance on net cost calculation.

There are several cases of State aid that has been granted by Member States to USPs. State aid has to be notified to the EC as a common rule for all sectors. In cases where the EC had accepted State aid, there was apparently major problems surrounding competition.

5.4.1.3 Relevant

When the Postal Services Directive was introduced, postal services played a much bigger role for communication and economic activity than today. In the 90s, the internet was only about to evolve; digital alternatives were neither as easily available as today nor accepted by many businesses and public institutions. Due to a lack of digital communication channels, letters were an important means for communication and economic activity, including publishing and advertising, as well as social participation. In the 1990s and 2000s, businesses still relied on letter mail for major communication purposes, and letters needed to arrive fast. Daily delivery and high quality of service was important for smooth business operations, in particular ordering, payment, billing, and other communication with customers, suppliers, and public institutions. At that time, there was a general concern whether USPs would be able to sustainably finance high quality of service and daily delivery once the internal market for postal services would be accomplished.[233] Based on this perspective, it was relevant to define a scope of universal services that reflected user needs at that time.

Communication habits and technology have developed since the Postal Services Directive was introduced. As digital alternatives become more and more widespread and accepted, and are available for more and more purposes including e-government services, postal users have faster and more convenient alternatives to physical communication. As a consequence, the relevance of five-day-delivery for letters has significantly reduced in countries with strong volume declines like DK, NL, and EE (see Case study 16). Regulators and USPs confirmed in the WIK online survey that there are areas of universal service requiring more flexibility in the future. The most significant areas identified by these stakeholders were frequency of delivery, scope of services within the USO, as well as frequency of collection (see Figure 79). This is in line with our findings of future user needs presented in chapters 2 and 3.

According to user surveys, a majority of consumers would be satisfied with lower quality and delivery frequency than today (see chapter 2.3), but they still require a high reliability of the postal service. Furthermore, there are still business senders that rely on fast and frequent delivery of letters, either because (national) legislation requires so, or digital alternatives are not available, not accepted by consumers, or not designed to be suitable for their specific communication purposes. This depends strongly on different national situations and conditions for further digitalisation. In countries where letter volumes are still on a high level today, users require five-day-delivery - for specific purposes at least (e.g. polls in CH, see Case study 15, or insurance companies in DE according to interviews with postal users for this study). The relevance of ensuring a specific scope of universal service is also reflected in the last published report on the application of the Postal Services Directive which states: '*Postal services continue to play a vital role across the European Union, although the nature of that role is changing as new technologies are driving both e-substitution and an increasing volume of online purchases.*'[234]

233 See European Commission (1992), Green Paper on the development of the single market for postal services.
234 European Commission (2015), Report on the application of the Postal Services Directive, p. 3.

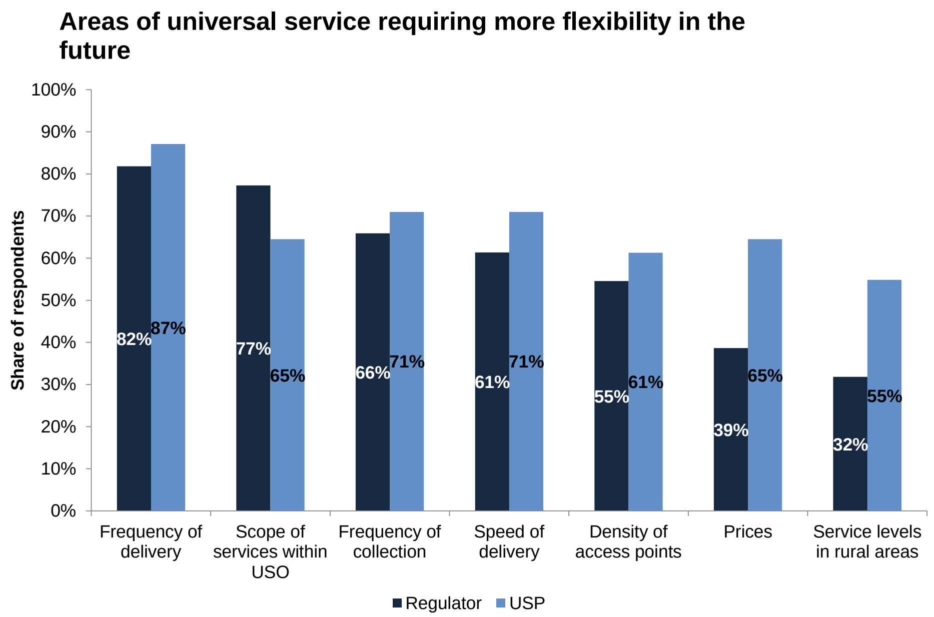
Case study 15: Postal votes in Switzerland
The democratic system in Switzerland is built upon the direct contribution of citizens to the law-making process. There are referendums carried out regularly and citizens are asked for their opinion on specific political aspects four times per year. Of course, voting is possible at polling stations, but postal votes are very popular. Although regular statistics are lacking, media reported on a poll in 2006 for which slightly more than 80 per cent of votes were sent by letters.

Source: Neue Züricher Zeitung (2006), Beliebte briefliche Stimmabgabe, 1 April 2006

Case study 16: Letter volume declines in Estonia
Among the 28 EU Member States, Estonia ranks 9th in the Digital Economy and Society Index (DESI) in 2018. The country is characterised by a high level of digital public services and well-skilled citizens regarding the internet and digital services. While this is not a new development and e-substitution in EE has already taken place in the past, letter volume declines have further gained pace in 2018. Between 2012 and 2017, domestic letter volumes declined at a substantial rate but seemed to have slowed down by 2017. However, 2018 has brought about the loss of 43% of domestic stamped letters (sent by consumers and small businesses). This development is interpreted by the Estonian NRA as a result of digitisation by public and private companies. In contrast to other countries, Estonian businesses seem to have more trust in digital communication and invoicing, as they find it easier to use and track than paper invoices.

Source: DESI report Estonia 2018, Konkurentsiameti aruanne (2019), Postiteenuste valdkonnas toimunud arengute ja esilekerkinud probleemide ning Konkurentsiameti tegevuse kohta nimetatud valdkonnas 2018; interviews with Estonian regulator

Figure 79 Areas of universal service requiring more flexibility in the future



Source: WIK Stakeholder online survey 2019 / regulators and postal operators

Contrary to developments in letter markets, parcel delivery is becoming more important. E-commerce customers expect fast delivery at high quality. Five-day delivery of parcels is regarded as a minimum rather than maximum frequency from an e-commerce point of view. This kind of very fast, innovative delivery solutions for e-commerce items is beyond the scope of universal service and will be provided on a commercial basis. We do not see a need to extend the universal service rules in the Postal Services Directive relating to parcel services.

Research question 18:	**Is more harmonisation between the Member States concerning the USO scope necessary and why?**
Postal markets across the EEA countries are very different. There are markets with a (still) high number of letter items per capita and rather low volume declines like CH, BE, and DE. On the contrary, there are very digitised countries with only small shares of letter volumes left from what they had ten years before (like DK and EE). Available alternative communication channels are very different in these countries, as are digital skills and willingness to use them. From a user perspective, needs for postal services are very different in these countries (see case studies on postal votes in Switzerland and letter volume declines in Estonia). Both regulators as well as USPs stressed in interviews for this study that the Postal Services Directive should take differences between Member States into account and allow for more subsidiarity to reflect different user needs. More harmonisation would have contrary effects and enforce the provision of postal services that would not be in line with users' needs.	

5.4.1.4 Coherent

The rules on the postal universal services are coherent with Article 14 TFEU on the **protection and the promotion of the Services of General Economic Interest** (SGEI) and are in principle coherent with other EU laws and policies. First, it is coherent with **economic and social cohesion** policies. Since the Lisbon treaty and the Europe 2020 strategy, territorial cohesion was added as a third aspect of cohesion policy. The objectives of the EU 2020 strategy focus on smart, sustainable and inclusive growth while ensuring all regions of the EU develop harmoniously, and regional disparities are reduced.[235] Regulations on the guiding principles and objectives of the funding mechanisms support and further specify the policy on economic, social and territorial cohesion.[236] Regional and cohesion policy are closely linked together with postal policy, as the latter has an impact on regional development and connectivity of different regions. On the other hand, regional and digital policies of the EU may also impact the perception and use of postal services.

One of the objectives for EU territorial and regional policy, as defined in Regulation 1303/2013, is to enhance access to, and use and quality of, information and communication technologies. Even though it goes without saying that digital

235 See European Commission (2010), Communication from the Commission, Europe 2020, A strategy for smart, sustainable and inclusive growth.

236 There are five EU Structural and Investment Funds, the ESI Funds, whose common provisions are laid down in Regulation 1303/2013.

communication has great advantages, this policy will further promote substitution of physical communication and contribute to further letter volume decline and changes in user behaviour. The focus on digital communication and changes in postal markets might lead to a double disadvantage for remote regions that do not have access to broadband, but suffer at the same time from a reduction of postal service levels.

The Postal Services Directive's objective to ensure access to a minimum set of postal services for users in all Member States can be interpreted as a territorial cohesion policy – although the term was not defined in the 1990s. The Second Postal Service Directive 2002/39 stresses the significance of the postal access network for economic and social cohesion, in particular in remote regions, in recital 6: '*the rural postal network […] in mountain and island regions plays an essential role in integrating businesses […] and in maintaining cohesion in social and employment terms*'. The Postal Services Directive requires Member States to define minimum requirements for the postal access network that meets the needs of users in their country. The absence of a common defined minimum might in principle be in conflict with regional policy as it might contribute to regional differences. However, another principle of the EU's policy is to take account of national differences regarding economic situations, cultures, and traditions. Regulation 1303/2013 on regional development requires the provision of 'small-scale infrastructure, taking account of the specific needs of persons with disabilities and the elderly' (recital 15) in order to promote social inclusion and territorial cohesion. Therefore, defining postal service requirements that take account of user needs in the Postal Services Directive is coherent with EU policy on social and economic cohesion and regional development.

In addition, the EU is currently actively pursuing the **digitalisation of private and public services**[237] and, to support those services, striving for good connectivity with fixed and mobile telecommunications networks.[238] As explained previously in this study, this leads to a substitution between paper-based communications services and digital based communications services and an increase in e-commerce services. However, the Postal Services Directive does not apply the principle of neutrality among the communications services as it focuses on the communications services which are paper-based. The principle is thus not applicable to postal services. This may raise tensions between the different policies of the EU because, on the one hand, the EU is actively supporting the digitisation of the economy and the society (hence indirectly, the substitution between paper based and non-paper based communications services) and, on the other, it has a specific regulatory regime for non-paper based communications services. To reduce such tensions, some commentators have proposed to define a

237 Communication from the Commission of 6 May 2015, A Digital Single Market for Europe, COM(2015) 192; Commission from the Commission of 19 February 2020, Europe Fit for the Digital Age, COM(2020) 19. On the achievements, see the Annual Digital and Society Index available at: https://ec.europa.eu/digital-single-market/en/desi

238 Communication from the Commission of 14 September 2016, Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society, COM(2016) 587.

broader and more technology neutral communications service which would include the currently separated postal and electronic communications universal services.[239]

The UPU Convention requires member countries to ensure that basic postal **payment services** are offered or accepted in their territory.[240] For the EU, there is no such provision but Directive 2014/92 requires Member States to ensure access to basic payment accounts.[241] The provisions of this Directive apply only to credit institutions, i.e. only to the small number of postal operators that are licensed to provide banking services.

The Postal Services Directive does not define payment services as universal postal services, but a range of USPs offer payment services in post offices as services of general economic interest. Section 5.4.1.1 lists examples of USPs providing postal payment services in post offices. In particular in Member States with remote and/or economically disadvantaged regions, the provision of postal payment services may contribute to social and territorial cohesion by ensuring users do not have to travel too far from their home to reach the next access point for payment services. This is also in line with Directive 2014/92 that explicitly mentions the coverage of the network of the credit institutions offering payment accounts with basic features.

Where postal payment services are provided by postal service providers, this is based on national legislation or out of commercial interest. For example, bpost in Belgium provides basic payment services defined in its management contract with the Belgian government.[242] Other postal operators, such as French La Poste, go beyond requirements to provide basic payment services and are licensed as banks out of commercial interest.[243] That said, their payment and banking services nevertheless contribute to ensuring access to basic payment services which is of particular relevance in rural or remote areas where the density of banking access points is low. Summing up, we did not identify any conflicts between the Postal Services Directive and Directive 2014/92.

Regarding the financing of the universal service, Article 7 of the Postal Service Directive is compatible with **EU rules and policies on state aid**. Those rules and policies mainly aim to ensure a level playing field between public and private firms and between Member States. To do that, the rules ensure that Members States do not give unjustified state aid to firms established in their territories. More specifically with regard

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239 A. de Streel and M. Peitz, The Right to Communicate: Redefining Universal Service Obligation in Postal and Electronic Communications Markets, CERRE Discussion Paper, March 2015.
240 See UPU (2017), Postal Payment Services Agreement, April 2017.
241 Directive 2014/92 of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, OJ [2014] L 257/214.
242 See 6ème Contrat de gestion, Attribution de services d’intérêt économique général à bpost.
243 See e.g. La Poste (2019), Annual Financial Report 2018, p. 5 and Lietuvos Pastas (2018), Annual Report 2017, p. 23 f.

to public compensation for the provision of Services of General Economic Interest, the EU State aid rules provide that the public compensation cannot exceed the net costs (with a reasonable profit) incurred in discharging the public service obligations.[244] Thus, the Postal Services Directive is coherent with EU State aid rules in ensuring a "financial level playing field" between all postal operators. However, regarding non-financial elements, Section 5.4.5.4 below explains that some horizontal EU laws applicable to the postal sector (such as VAT rules or the social legislation relating to road transport) create exemptions for the providers of universal service, which may give a competitive advantage to those providers if they are not interpreted consistently with EU state aid rules.

It is also interesting to note that the **EU rules in other network industries** contain similar rules relating to the definition of the scope and the characteristics of the universal service as well as its means of provision (designation and financing). **This is not a coherence issue** as those rules do not deal with postal services. However, those other rules, many of which have been revised recently, provide EU best practices that can be useful for the postal regulation when the issues addressed by those other network industries rules are similar to the issues to be addressed in the postal sector.

The new European Electronic Communications Code (which is formally a Directive) provides a very comprehensive system to regulate the universal service for electronic communications.[245]

- The *scope* of the universal service is defined in the Code on the basis of a minimum set of services that should be available, in particular, adequate broadband internet access.[246] However, there is flexibility for the Commission to adapt such scope with a delegated act taking into account the technological and social developments or the changes in market demand.[247] This allows a more flexible manner for adapting the scope of universal service than a legislative review. Moreover, the Member States can adapt the scope to their national circumstances according to the services used by the majority of users in their national territories.[248]
- The *means of provision* should comply with the principles of objectivity, transparency, non-discrimination and proportionality but should also minimise

244 Commission Decision 2012/21 of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, O.J. [2012] L 7/3; Communication from the Commission of 20 December 2011, European Union framework for State aid in the form of public service compensation (2011) , O.J. [2012] C 8/15.

245 Directive 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code, OJ [2018] L 321/36.

246 It is interesting to note that, as explained above, the availability of internet broadband connection contribute to reduction of the traffic of letter but to the increase of ecommerce.

247 EECC, Art.116 and Annex V.

248 EECC, Art.84(3).

the market distortion.[249] This latter obligation is key to ensure that the universal service is provided in the most efficient way for the society and may have far reaching implication for the design of the designation and financing mechanisms. This implies *inter alia* that the least costly way to ensure universal service is chosen by the Member State, or that in the case of compensation from within the sector, the contributors' basis should be as wide as possible.

- While the Postal Services Directive also requires that the principles of transparency, non-discrimination and proportionality are respected, an explicit requirement for minimising market distortions is still unknown to the Directive.

- If a Member State *designates* one or several undertakings to provide the universal service because the mere functioning of the market does not ensure universal service provision, it should use an efficient, objective, transparent and non-discriminatory designation mechanism, whereby no undertaking is *a priori* excluded from being designated.[250] The designation method should ensure that universal service is provided in a cost effective manner which may imply that different undertakings are designated to provide different parts of the universal service and/or cover different parts of the national territory.[251] In theory, designating different undertakings for different services or parts of the territory is also possible under the existing Postal Services Directive, but it has not been applied in practice so far. One of the reasons for this may be a lack of well-working examples from other approaches in the European postal sector, until recently (see experiences in e.g. Norway). A lack of technical experience and a lack of best practices in other countries weakens the political will to apply such an approach. In addition, the Postal Services Directive does not include a distinct mandate or specific guidelines for designating different operators. A clarification of the Postal Services Directive in this regard might help postal regulators to apply this approach.

- When the provision of universal service entails a net cost[252], which represents an unfair burden[253] for the designated undertaking(s), those undertakings may require *financial compensation* from the Member State. This compensation may

249 EECC, Art.85(5), 86(2), 90(2).
250 EECC, art.86(4).
251 EECC, art.86(3). To guarantee the principles of non–discrimination and the minimising of market distortions, national law cannot require that the provider of the universal service should be able to cover the entire national territory: *Commission v France* (C–220/07) EU:C:2013:427, para.34. See also *Commission v Portugal* (C–154/09) EU:C:2010:591, where the Court of Justice ruled that the designation by law of the incumbent operator, Portugal Telecom, as the universal service provider until 2025 was in breach of the obligation under the Directive to rely on an efficient, objective and non–discriminatory designation procedure (see para.36).
252 The methodology to calculate the net cost is explained in the Annex VII of the EECC.
253 The unfair burden is not defined in the EECC but, under the previous and similar regulatory framework, the Court of Justice considered that a burden is unfair when it is excessive in view of the universal service provider’s ability to bear it, taking into account all the specific characteristics of such an undertaking, in particular the quality of its equipment, its economic and financial situation and its market share: *Commission v Belgium* (C–222/08) EU:C:2010:583, para.49.

come from public funds and/or a sector fund which should respect the principles of transparency, least market distortion, non-discrimination and proportionality. In this context, least market distortion means that contributions should be recovered in a way that, as far as possible, minimises the impact of the financial burden falling on end-users, e.g. by spreading contributions as widely as possible.[254] Having such a requirement in the Postal Services Directive would support the provision of the postal universal service in the most efficient manner.

The new Electricity Directive[255] also provides for universal service, but the rules are less detailed

- The Electricity Directive guarantees the provision of *universal service*, namely the right to be supplied with electricity of a specified quality within their territory at competitive, easily and clearly comparable, transparent and non-discriminatory prices.[256] To ensure the provision of universal service, Member States may appoint a supplier of last resort. A similar provision is applied in the German postal market where a designated provider does not exist, but all postal providers contribute to the provision of the universal postal service. In Germany, if the regulator identifies a risk that the level of universal service may fall short of the minimum level of universal service set out by legislation, a legal procedure is initiated which may result in obliging a postal service provider to provide the universal service, or use public procurement to achieve compliance with the universal service obligation. However, such a situation has never occurred since the mechanism was introduced in 1998.[257] When financial compensation is granted for the provision of the universal service, this should be done in a non-discriminatory and transparent way.[258]
- Next to universal service, the New Electricity Directive also provides that Member States should take appropriate measures, such as providing benefits by means of their social security systems, to ensure the necessary supply to *vulnerable customers*.[259] In this context, each Member State should define the concept of vulnerable customers which may include income levels, the share of energy expenditure of disposable income, the energy efficiency of homes, critical dependence on electrical equipment for health reasons, age, or other criteria.

Those examples of EU regulation that form the different building blocks of the universal service in other network industries may be useful in reviewing the PSD. On the one

254 EECC, recital 243.
255 Directive 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27, OJ [2019] L 158/125,
256 Electricity Directive, Art.27.
257 This mechanism is based on §§ 12 and 13 of the German Postal Law. An operator which has been obliged may receive compensation according to § 15.
258 Electricity Directive, Art.9(3).
259 Electricity Directive, Art.28.

hand, it may ensure a common approach to universal service across network industries and, on the other hand, ensure effective regulation of the universal service in the postal sector.

5.4.1.5 EU added value

In the 1990s and the beginning of the new millennium, letters were an important communication channel. Obviously, it was regarded as a problem that the scope of universal services was defined differently in the European Member States.[260] The report on the application of the Postal Services Directive concludes that '*[…] there is a trend towards the reduction of the types of item which fall under the universal service obligation.'*[261] In spite of the harmonisation objective of the Postal Services Directive, it is unclear whether harmonisation has been achieved as the scope of universal service is still defined very differently nationally (as explained in section 5.4.1.1). Yet, as shown above, stakeholders did not report major problems, not even in cross-border exchange of mail.

Today, the need for harmonising universal services to ensure cross-border *letters* seems much reduced compared to 1997 as there are easier means to communicate across border today (e.g. email and other digital channels). However, other aspects have gained significance. The potentials of cross-border e-commerce on the single market for postal services are not fully exploited within the Union: European consumers could save EUR 11.7 billion per year if they had full access to goods and services when shopping online.[262] Increasing cross-border volumes in the last years have been triggered by e-commerce, and contain goods ordered online. A recent study on the development of cross-border e-commerce finds that the quality of cross-border parcel delivery is improving but is very diverse among Member States. While online retailers and their customers can benefit from high-quality parcel services with a wide range of delivery and tracking options in some countries, users do not have access to similar services in others.[263] In these countries, universal services play a much greater role and are important for providing users with access to national and cross-border e-commerce services.

Ensuring a minimum scope of universal services within the EEA members ensures that all users can send and receive postal items at a specific level of quality. National approaches ensuring that postal services are affordable are varying (as explained in section 5.4.4.1), and there are large differences in prices for cross-border parcels between Member States.[264] This emphasises the need to define at the European level

260 See EC (1992), Green Paper on the development of the single market for postal services.
261 European Commission (2015), Report on the application of the Postal Services Directive, p. 4.
262 See European Commission (2016), Infographic on Digital Single Market Parcel Initiative.
263 See e.g. WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery.
264 See Université Saint-Louis-Bruxelles (2015), Econometric study on parcel list prices, study for DG GROW.

a harmonised set of universal services to ensure social, territorial and economic cohesion.

It seems important that the scope of universal services is, to some extent, harmonised. A common scope of universal service and its features enables harmonised regulatory approaches and has therefore an impact on creating a level playing field. A level playing field for USPs and non-USPs in a pan-European postal market plays a significant role in the context of achieving a single market for postal services.

5.4.1.6 Conclusions on ensuring the universal service

Effective

The Postal Services Directive has ensured universal postal services are effectively provided nationwide in each Member State. However, universal postal services had been provided in each of the countries even before the Postal Services Directive was established. In recent years, some Member States have extended the scope of exemptions from delivery frequency, and there is a general trend towards reducing the scope of services ensured as universal services. However, this does not fall short of the minimum scope defined in the Postal Services Directive; postal users have access to at least single-piece letter and parcel services in all EEA Member Stated and Switzerland.

Efficient

Many USPs have been able to provide universal services sustainably, i.e. based on universal service revenues without requiring financing from other sources in the past. In recent years, the number of USPs requiring net cost compensation from public budgets or compensation funds has increased. Net cost compensation is the largest single amount paid by governments to finance universal service provision. There is a potential to improve the efficiency of net cost financing if Member States relied more on procurement or market-based approaches.

There are substantial benefits related to ensuring universal services, mainly in the areas of social and territorial cohesion. Ensuring the availability of a communication channel to reach all citizens without exemption is of particular importance to public institutions and businesses, as there are still postal users without access to digital communication, or neither willing nor able to use them. In our assessment, these benefits are worth the cost of ensuring USO.

Relevant

The different national developments within the EU result in varying national user needs, which correlates to varying relevance of ensuring a specific scope of universal service between Member States. However, based on our analysis in chapter 2.3 from interviews with regulators, postal users as well as postal operators, we conclude that it is relevant in all EEA Member States to define a specific scope of universal service, albeit the scope and related quality requirements might be different.

Coherent

The rules on the postal universal service are coherent with Article 14 TFEU on the protection and the promotion of the Services of General Economic Interest (SGEI) in Europe and, in principle, coherent with other EU laws and policies. The rules on the scope of universal service are coherent with social and territorial cohesion policies. As the scope of postal universal service is focused on paper-based communications services and does not include non-paper – digital – communications services, there may be increasing tension between the EU policies aiming at stimulating the digitisation of public and private services. The rules on the financing of universal service are coherent with the European Union framework for State aid in the form of public service compensation and both aim to ensure a level playing field between all postal operators.

EU added value

As there have been universally provided postal services throughout the EU before the Postal Services Directive was introduced, the EU added value is somewhat limited. However, there is an EU added value that is founded in the contribution of cross-border universal services to exploiting the full potential of the single market for e-commerce and postal services. A common scope of universal services is the basis for social, territorial and economic cohesion and ensures that all postal users within the European Communities have access to a minimum scope of universal services.

5.4.2 Quality requirements

5.4.2.1 Effective

Although quality of postal services may be understood as a variety of quality aspects, the Postal Services Directive focusses on transit times for letter mail as described in section 5.3.1.[265] There are two transit time targets for intra-Community cross-border mail defined in Annex II: the D+3 target aims at ensuring a specified speed, the D+5 target aims at ensuring nearly all items arrive reliably within a defined period. Quality of parcels is not addressed by the Postal Services Directive.

The development of quality of service indicators is described in section 2.1.2 of this report. Section 2.1.2 shows how quality of service targets as well as performance for domestic and intra-Community cross-border letter services developed between 1998 and 2017. Where necessary, cross-references are made.

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265 Other quality-related aspects of universal postal services, such as density of the access network, frequency of delivery etc. are discussed in section 5.4.1.

Effectiveness of quality requirements for international, intra-Community postal services

According to the ERGP, 19 countries have set regulatory targets for monitoring cross-border transit times.[266] Most of them apply the targets set by the Postal Services Directive, but three countries (FR, IS, PT) set higher targets, see Table 34.

Table 34 Transit time objectives for cross-border letter mail

	Number of countries with a transit time objective of…
D+3 / 85%	16
D+3 / more than 85%	3
D+5 / 97%	18

Source: ERGP (2018), Report on quality of service, consumer protection and complaint handling

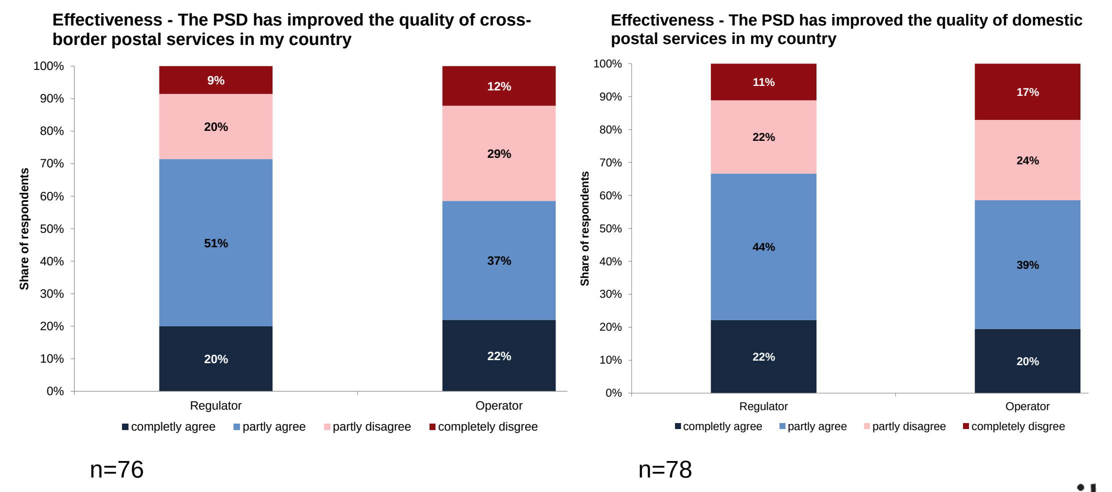
Improving quality of service for cross-border mail is one of the major objectives of the First Postal Services Directive, as cross-border quality had been quite low back in the 1990s. The pre-Directive situation was characterised by substantial shortcomings in quality of service, as stated in the Green Paper in 1992: nine out of the 12 Member States missed their quality targets for national mail. For intra-Community cross-border mail, the average delivery days in 1990 ranged between 3 days for items to Denmark and 6.1 days to Italy.[267] According to measurements by IPC, 69.1% of all cross-border letters exchanged between IPC members in 1994 arrived within D+3. This figure improved in the consecutive years to 77.6% (1995) and 83.2% in 1996.[268] Although some countries already achieved good quality levels in the 1990s (compare section 2.1.2) like e.g. BE, CH, NL, SE and UK, the average quality of service was lower in Southern European countries, as well as in countries at the outskirts of Europe (like Iceland).[269]

Quality of service targets for letter services were quite divergent between the four country groups in 1998, at a time when the Postal Services Directive was already established but not yet transposed into national law. Figure 18 in section 2.1.2 illustrates that quality targets approached each other, in particular after the EU accession in 2004 and 2007. The convergence of targets is a direct impact of the Postal Services Directive, as there were no other substantial impacts on the political level or pressure from markets that could have caused this development.

266 See ERGP (2018), Report on quality of service, consumer protection and complaint handling, p. 14 f.
267 See EC (1992), Green Paper on the development of the single market for postal services, p. 90. The results refer to a measurement carried out by consumer organisation BEUC, and include only 10 Member States due to exceptional circumstances in EL and services in LU were not included.
268 See IPC (1997), Improving the quality of international mail, 1996 results.
269 See ibid.

The targets set by the Postal Services Directive set an incentive for operators to improve quality, especially as transparency of transit time performance is ensured by national regulators. Incentives are created as published quality of service results are recognised by (business) customers and investors, and impacts price negotiations and investment decisions. Therefore, the substantial improvements between 1997 and 2008 (as described in section 2.1.2) have been a direct impact of the Postal Services Directive. This was also corroborated by interviews with postal operators and regulators. Regulators and operators confirmed in the WIK online survey (see Figure 80) that the Postal Services Directive has had a positive impact on the quality of cross-border parcel services (71 per cent of regulators and 59 per cent of operators completely or partly agree).

Figure 80 Survey results: Impact of Postal Services Directive on quality of cross-border services



Source: WIK Stakeholder online survey 2019 / regulators and postal operators

In addition, the remuneration system for intra-Community postal items also played a role. EU Member States agreed to link remuneration for intra-Community cross-border items to quality under the REIMS II agreement in 1998.[270] The REIMS II agreement defined D+1 quality targets for incoming cross-border mail of designated USPs in three groups, with increasing targets over time. Operators that did not comply with the quality targets had to face financial penalties. Yet the REIMS agreement was amended several times since the early 2000s, and there is no publicly available information on either the participating operators, remuneration or quality links. For the first decade of the new millennium, however, the REIMS agreements and its quality incentives also played a role in improving intra-Community cross-border transit times.

270 See WIK-Consult (2003), Quality of Service Objectives, Performance and Measurement in Relation to Community Universal Postal Service, p. 23 ff.

Nonetheless, postal operators did not uphold these achievements in quality. After 2008, cross-border quality has been continuously deteriorating as shown by IPC UNEX quality measurement (see Figure 20 in section 2.1.2). Reasons are manifold and need to take national particularities into account (e.g. cross-border volumes, geographical position of the country within the EU, difficult geographical conditions like many islands or remote areas). The year 2010 should be regarded as an exception as international flight traffic had been perturbed due to the volcanic eruption in Iceland in March 2010 (see Figure 20 in section 2.1.2). In its wake, postal items could not be conveyed via air and had to be transported on the slower ground network instead.

The years 2007/2008 marked a turning point in quality of service when the financial crisis induced many business and public senders to save on mail budgets, and send considerably less mail. In part, senders switched to other communication channels, mainly digital ones[271], or they used cheaper mail products (e.g. second class instead of first class), or they consolidated, for example, billing cycles. The impact of the financial crisis on mail volumes has been well-documented in academic research.[272] The period up to 2008 was generally characterised by volume growth, which was more pronounced in the Member States that joined the EU in 2004.[273] There is a downward trend in the period after 2008 throughout the EU.[274] Mail volume declines impact quality of service as it reduces economies of scale and scope. According to economic theory, profit-maximising operators will then react by reducing their costs, which can, among others, be achieved by adjusting operational procedures to less costly alternatives (e.g. reduced night-shifts, ground transport instead of flights). The result is lower transit time performance.

Volume declines are also an important driver for adjustments of delivery frequency, with a negative impact on quality. Several countries have reduced the frequency of delivery to less than five days per week (e.g. DK, IT, NL, IS) in the last few years, and others have plans to reduce it in the future (e.g. NO, FI)[275]. As a postal item to a destination country with two or three delivery days per week cannot be delivered within D+3, the negative effect on cross-border transit times is obvious.

271 The impact of digitisation on mail volumes in areas of different economic activity has been described e.g. by Nikali (2008), Substitution of letter mail for different sender-receiver segments, in Crew, M., Kleindorfer, P. (eds.), Competition and Regulation in the Postal and Delivery Sector.

272 See e.g. Martin, V.; Paterson, C.; Nikali, H. and Li, Q. (2013), Dynamic letter volume models: how does an economic downturn affect substitution propensities?, in: Crew, M., Kleindorfer, P. (eds.), Reforming the postal sector in the face of electronic competition.

273 See Ecorys (2008), Main Developments in the Postal Sector (2006-2008), p. 105.

274 See e.g. WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013), p. 163.

275 Proposed changes to Norwegian postal law are described in Det kongelige Samferdselsdepartment (2018), Prop. 102L, Endringer i postloven. In Finland, letter delivery will be reduced to three days a week in areas where newspapers are delivered on a separate early-morning delivery round. In areas without early morning delivery of newspapers, mail will be delivered five days a week. See Library of Congress (2017), Parliament Passes New Postal Act to Reduce Service [www.loc.gov/law/foreign-news/article/finland-parliament-passes, 1 July 2019]

Effectiveness of quality requirements for domestic postal services

While the Postal Services Directive does not set quality standards for national services, it mandates the Member States to do so, focussing on routing times. Quality standards for national mail may not be lower than those for cross-border items. All EU Member States as well as CH, IS and NO have defined transit time targets for priority mail but national targets vary substantially. While some countries require national mail in the fastest standard category to be delivered one day after posting for 80 per cent of items (e.g. BG, DE, FI, IT), others have set targets of D+1 for 95 per cent of items or more (e.g. AT, CH, MT, NL, SI).[276] ES and LU have no transit time targets for D+1, their targets for single-piece priority mail refer to D+3 (ES) and D+2 (LU). The highest D+1 target is set in CH (97% D+1). A much lower number of countries has defined regulatory targets for other mail categories like non-priority letters (17 Member States), registered items (13 countries), bulk mail (6 countries) or newspapers (2 countries).[277]

Table 35 Transit time objectives for domestic single-piece priority letter mail

D+1	Number of countries
80%	3
>80% up to 85%	7
>85% up to 90%	4
>90% up to 95%	12
>95%	1

Note: DK, ES, LU, SE have not defined D+1 targets within the scope of universal service. No information: LI
Source: ERGP (2019), Report on quality of service, consumer protection and complaint handling

The obligation to monitor, independently measure and publish transit time performance has greatly improved transparency of quality of service in national postal markets. Transparency provides an incentive for operators to improve their quality of service at least in line with their transit time targets. Quality of service measurement exist for single-piece priority mail in 31 countries (see Table 36) and to a lesser extent for other letter services. However, there are some countries in which measurement procedures are not audited.

276 ERGP (2018), Report on quality of service, consumer protection and complaint handling, p. 16 f.
277 See ERGP (2018), Report on quality of service, consumer protection and complaint handling, p. 13 f.

Table 36 Transit time measurement and auditing

	Quality of service measurement exists in (# of countries)	Measurement not audited in
Single-piece priority mail	31	BG, DK, EE, IS, LT
Single-piece non-priority mail	18	BG, DK, IS, LT
Registered mail	11	FR, LT, MT

Note: no information on LI
Source: ERGP (2016), Report on Quality of Service, consumer protection and complaint handling, (16) 37, p. 56-59

Overall, transit time standards for domestic services set by the Postal Services Directive have had a positive impact on performance up to around 2010 (see section 2.1.2). After that, quality of service for domestic mail has deteriorated, in some countries even earlier.[278] The reasons for this trend are the same as discussed for international mail above: cost pressure on operators due to volume declines, and consequent re-organisation of postal processes towards a slower transit time. This is also reflected in the responses to the online survey (see Figure 80): while the majority of regulators and operators agree or partly agree that the Postal Services Directive has had a positive impact on quality of domestic services, the level of agreement is lower than for cross-border mail.

There are some examples of countries that greatly improved domestic transit time performance after they transposed the Postal Services Directive, among them e.g. EL, HR, and IE. Later, this positive development was overrun by the effects of volume declines. As Case study 17 describes for Sweden, volume declines create a need for increased flexibility at the national level. Even though the new Swedish D+2 target is of course coherent with targets for cross-border mail in Annex II of the Postal Services Directive, a national D+2 target will make it much harder to deliver 85% of cross-border mail within D+3 in Sweden. Other countries where the frequency of delivery has recently been reduced will also encounter problems with delivering international incoming mail within the Postal Services Directive transit time targets (e.g. Italy or Denmark).

Although most NRAs publish annual monitoring results, not all of them may sanction the USP if quality objectives are not achieved.[279] In the light of pressure on costs and profitability, the existing leverage for NRAs does not seem to be strong enough to enforce compliance with the quality targets set by the Postal Services Directive. There

278 By comparing performance results for domestic priority services in ERGP (2018), Report on quality of service, consumer protection and complaint handling, p. 16 f. and ERGP (2011), ERGP report on the quality of service and the end-user satisfaction, p. 16 f.
279 See Copenhagen Economics (2018), Main Developments in the European Postal Sector 2013-20, p. 78.

is also an insufficient level of competitive pressure that would ensure high quality (as can be observed in parcel markets, see Case study 18).

Case study 17: D+2 requirement for stamped letters in Sweden
In 2018, the Swedish postal ordinance was amended to require D+2 delivery for domestic letters. According to the ordinance, 95% of domestic letters that have been handed over for D+2 delivery before the last submission time need to be delivered within two working days. The transit time requirement before the amendment was D+1 for 85% of domestic letters and D+3 for 97%. The reason for the amendment was to enable PostNord to reduce costs, mainly by abstaining from air transport for domestic mail which is also considered as a climate protection measure. PostNord decided to apply the new transit time standard only for stamped domestic letters. Bulk mailers such as businesses and public sector clients using franking machines or other payment methods still benefit from the D+1 standard for their mail. This means that the required D+2 transit time standard applies only to stamped single-piece mail. As a consequence of the amendment, Swedish NRA PTS imposed new licence conditions on PostNord Sweden and the biggest competitor, CityMail, to independently measure the transit times of domestic letters.

Source: PTS (2019), Swedish Postal Market 2019; PTS (2018), Delredovisning: Uppföljning av befordringskraven inom den samhällsomfattande posttjänsten

Case study 18: Quality of service in parcel markets
The Postal Services Directive has not made requirements on quality of service for parcels. Although Art. 16 requires 'Member States shall ensure that quality-of-service standards are set and published in relation to *universal service*', monitoring and ensuring quality has generally been understood as quality of letter services by Member States and their NRAs. In contrast to letter mail, there has not been a problem with quality of service for parcels that would have required regulatory intervention in the 1990s. Even before the Postal Services Directive was introduced, competition from other parcel operators, as well as express service providers, had ensured good quality parcel services were available to users.

Source: WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery

5.4.2.2 Efficient

Costs

Costs and benefits of the Postal Services Directive's quality requirements are listed in Table 37. While costs accrue to operators and regulators, benefits of quality requirements arise on the side of postal users.

Table 37 Costs and benefits of quality requirements

Quality requirements (transit times)	
Costs	Administrative costs for regulators (% quality regulation)
	Costs of quality improvements for underperforming USPs
	Costs of quality measurements (for USPs or NRAs).
Benefits	Quality improvements for domestic and cross-border services
	Transparency for postal users

Source: WIK-Consult

As stated in the section of effectiveness, the Postal Services Directive has led to significant quality improvements for cross-border mail within the EU. USPs that did not achieve the transit time targets had to invest in quality, e.g. by investing in automated sorting at different levels (sorting to mail centres, delivery offices, delivery rounds etc.), improving internal processes, or adjusting their product offer to incentivise business senders to hand over pre-sorted mail with a high quality of addresses being provided. While overall investment amounts (including those unrelated to quality) are published in annual reports or analyst presentations, figures on investments with an impact on quality are generally not available. We therefore provide anecdotal evidence for **cost of quality improvements** in the case of Deutsche Post.

Investments made by Deutsche Post in completely reorganising its mail network, including substantial investments in sorting centres, may serve as an example for the dimension of investments in quality. Deutsche Post's operational processes for letter mail during the 1980s were highly complex and characterised by low automation, resulting in low profitability and quality.[280]

Deutsche Post started this process in 1990 before the Postal Services Directive was introduced. The operator aimed to improve its quality by investing in a new structure for its letter sorting and processing, called 'letter concept (*Briefkonzept*) 2000', that was largely completed by 1997.[281] This restructuring process required substantial investments during the 1990s, as illustrated by figures in Table 38. Investments during that decade amounted to up to 11.5% of revenues, when four out of five Euros were earned with letter mail. Naturally, these investments were made not only due to underperformance in quality, but also driven by low financial performance.[282] For

280 See Deutsche Post (2003), Mail Operations – On the Road to Excellence, presentation by Dr Uwe Rabe, Capital Markets Day Bonn, 22 August 2003.
281 See Deutsche Post (1998), Jahresbericht 1997, p. 3.
282 In 1990, Deutsche Bundespost made a loss of DM 1.49 million (~EUR 0.76 million), and made its first profit in 1994. See Deutsche Bundespost (1991), Annual report 1990 and Deutsche Post (1995), Annual report 1994. There are no estimates or figures available on the share of investments that have been made for quality considerations.

comparison, the table also provides investment figures for 2018, when investments related to letter and parcel mail were much below the amounts of the 1990s.

The impact of these investments on quality was positive: prior to 1992, quality performance was below 75% of priority letters delivered on the next working day. The new structure of the letter post processing network was designed to deliver 95% of letters at a speed of D+1, which was roughly achieved in 1998 when all 83 new sorting facilities were fully operational.[283] Yet, these investments by Deutsche Post had been carried out before the Postal Services Directive was introduced and cannot be considered as an impact of the Postal Services Directive. This example may nevertheless illustrate how much operators may have to invest to boost quality to a superior level. Whether such investments are triggered by the Postal Services Directive or USPs would have invested to meet customer demand without the Postal Services Directive cannot be concluded in general, as it depends heavily on the internal assessment and strategy of providers.

Table 38 Investments of Deutsche Post in the mail segment

Deutsche Post	1992	1993	1994	1995	1996	1997	2018
Investments (million EUR)	819	954	1,465	1,308	961	986	786
Revenues (million EUR)	11,257	12,116	12,684	13,641	13,653	13,874	61,550
Letter post revenues (million EUR)	9,108	10,129	10,531	9,649	9,822	10,102	18,476
Ratio investments / revenues	7.3%	7.9%	11.5%	9.6%	7%	7.1%	4.3%

Note: Investments (Capex) in 2018 relate to segment Post-eCommerce-Parcel.

Source: Deutsche Post, Annual reports

To monitor and verify whether the quality requirements of the Postal Services Directive are respected, independent quality measurement has to take place as laid down in Art. 16, for cross-border, and in Art. 17, for domestic mail services. The cost of such measurements are borne by the USP in most countries (in 19 countries) or the NRA (in 7 countries; no information for AT, DK, EE, ES, LT, LI).[284] USPs mentioned in interviews for this study that annual costs for measurements are a (very) low single-digit million EUR amount and not considered as a heavy burden.

Costs of regulators for measuring and monitoring quality of service amounted to 4.8 million Euro in 2017/2018 (see Table 39). It is important to note that these costs include not only administrative costs for reviews, but also those cases where regulators

283 See Deutsche Post (2003), Mail Operations – On the Road to Excellence, presentation by Dr Uwe Rabe, Capital Markets Day Bonn, 22 August 2003.
284 See ERGP (2018), Report on Quality of service, consumer protection and complaint handling, p. 58.

have to bear the costs of quality measurements. These costs account for 10 per cent of total regulator administrative costs (on average),[285] amounting to EUR 4.8 million in 2017/2018.

Table 39 Administrative costs of regulators: quality requirements (2017/2018)

Countries	Total regulator budget
EEA, CH	EUR 4.8 million
EU-28	EUR 4.5 million

Source: WIK estimate based on NRA survey

Costs for the quality measurements required by regulation will vary substantially depending on the scope of services reviewed and the letter volumes of an operator. Based on discussions with various USPs, we estimate the costs for quality measurements (required by regulation) borne by USPs to amount to less than 0.01% of the total cost of their mail business. This cost is typically less than EUR 1 million for large operators per year, and less for smaller operators.

Benefits

On the benefit side, quality measurement and publication of results are important incentives for USPs to work on their performance. Providing high quality and reliable postal services has been important for many operators in the past as a comparative advantage to digital communication channels, in particular for e-retailers and senders of direct mail. For postal users, consumers as well as businesses, published quality measurement results **enhance transparency** on available quality standards offered by postal operators.

Quality improvements can be substantial, as in CY, EL and HU, but also BE and FR. Cyprus Post delivered less than 22% of letters on the next working day in 2000, Elta (EL) less than 50% and La Poste (FR) and bpost (BE) less than 80%.[286] This has numerous impacts on postal users, including private users, businesses as well as public institutions. A large variety of financial and other benefits is connected to a larger share of letters arriving on the next working day. Examples include bills are paid earlier (and less interest paid by businesses to bridge short-handed shortages in liquidity), insurance sums received earlier by insured persons, receivers are informed earlier about important amendments of contracts or terms of business, etc. For example, if customers of banks or credit card companies receive their statements one or several days later than usual, a lot of effort spent answering customer inquiries could have been saved if the statements arrived the next day after posting. In countries where payment

285 Estimate based on expert review of NRA administrative cost distribution, as described in section 5.4.1.2.1.
286 See WIK-Consult (2009), Evolution of the European Postal Market since 1997.

by cheques is common, the on-time arrival of a cheque the next working day can be of fundamental significance for the everyday life of families or the smooth running of a business. For postal votes, it is very important for letters to arrive on the next working day with a very high level of reliability.

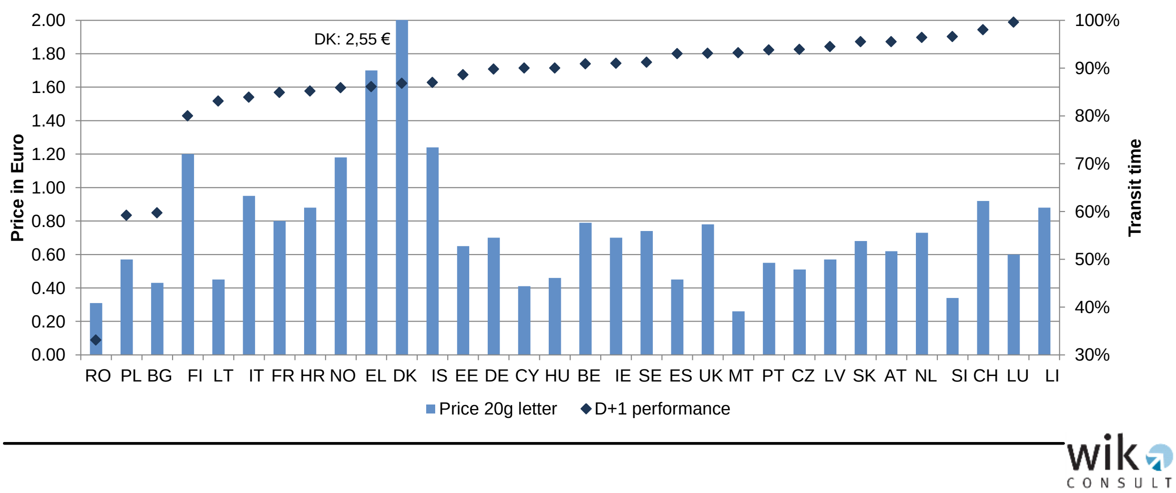
These benefits extend to society as a whole and the economy at large, and were more pronounced during the first decade of the new millennium, when users were more dependent on letters as a channel for financial transactions and economic activity in general. There are digital solutions in many cases today, and private users in many Member States rely on alternatives to letters, but for businesses and private users that are unfamiliar with online solutions, speedy and/or reliable delivery of letters is still very important.

Research question 19: How does price correlate with QoS?

Transit time performance of postal operators is very diverse across the EEA Member States. Quality of service is a cost-driver (and therefore drives also prices) but there are other relevant impacts on price. For different historic reasons, postal operators have different postal operations and network designs. There are also substantial differences in annual letter post items per capita (CH: 425, BG: 3 in 2016) which result in strong efficiency differences.

Based on quality and price data, there is no correlation between quality (measured as D+1 transit time performance as the most comparable indicator) and price (prices for a 20g small letter in the fastest standard category) as can be seen in Figure 81.

Figure 81 The relation between price and quality of service (2016)



Source: Data based on Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016)

Comparing costs and benefits

Costs for monitoring and regulating quality performance for universal services amount to EUR 0.01 per capita in all countries (see Table 40). It is reasonable to assume that USPs costs to improve quality of service are higher but there are no data available.

The huge progress in quality made by many USPs, after the Postal Services Directive was established, has benefitted European citizens and societies as well as businesses. Even in the absence of hard data on cost and benefits for quality requirements, there is no doubt that benefits outweigh costs by far, and quality requirements have therefore been an efficient instrument to achieve the objectives.

Table 40 Costs for quality requirements per capita

Countries	Regulator budget per capita
EEA, CH	EUR 0.01
EU-28	EUR 0.01

5.4.2.3 Relevant

Before the Postal Services Directive entered into force, the transit time performance of postal administrations was not satisfactory from a user perspective in many European countries (see section 5.3). At the same time, electronic alternatives for written communication were hardly available to most users, as many consumers did not have access to fax and the internet was in its infancy. Letter services therefore were an important means of communication for consumers, businesses and public institutions. Letter mail volumes had been on the rise throughout Europe before the Postal Services Directive was introduced,[287] and were strongly correlated with GDP as an indicator of economic activity. This correlation indicated a high significance of letter services for businesses and their customers.[288] Improving the poor transit time performance in many Member States at that time has thus been highly relevant for postal users.

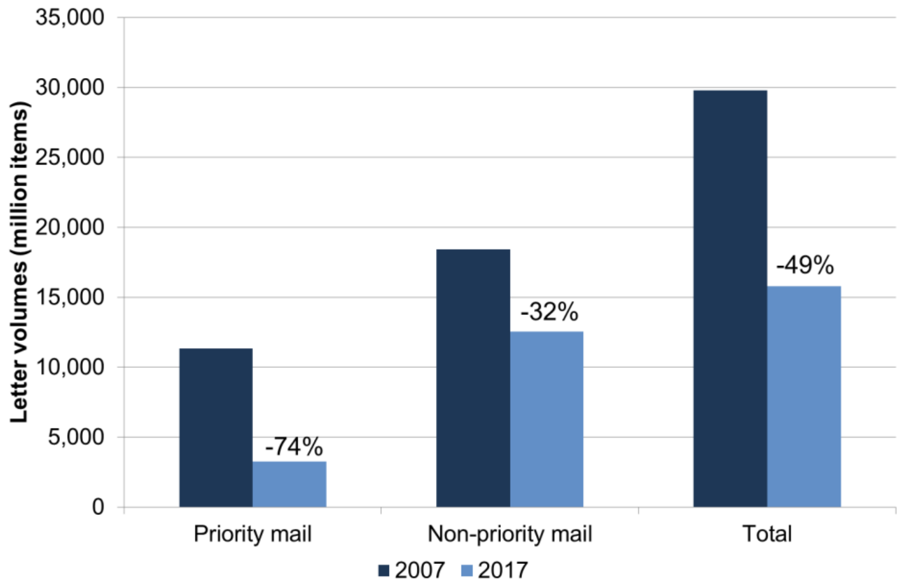
Today, the need for fast delivery of letters (i.e. short transit time) is much lower than in the 1990s. With a variety of electronic substitutions available to users, a large share of urgent communication has already been substituted with digital alternatives. This is indicated by developments in priority and non-priority letter mail as illustrated in

287 See e.g. Pitney Bowes (2002), Mail markets: recent and future trends, presentation by Jimenez, A. at Post-Expo 2002 on mail volume developments. The EC (1992) noted in its Green Paper on the Development of the Single Market for Postal Services, p. 80 an average annual growth of 6.1% of letter volumes in the 12 Member States from 1985-89.

288 For an overview on academic research on the relation between economic development and postal volumes, see Diakova, Elena (2005), Economic Activity as a Driver of Mail, Pitney Bowes Background Paper No. 12, August 8, 2005.

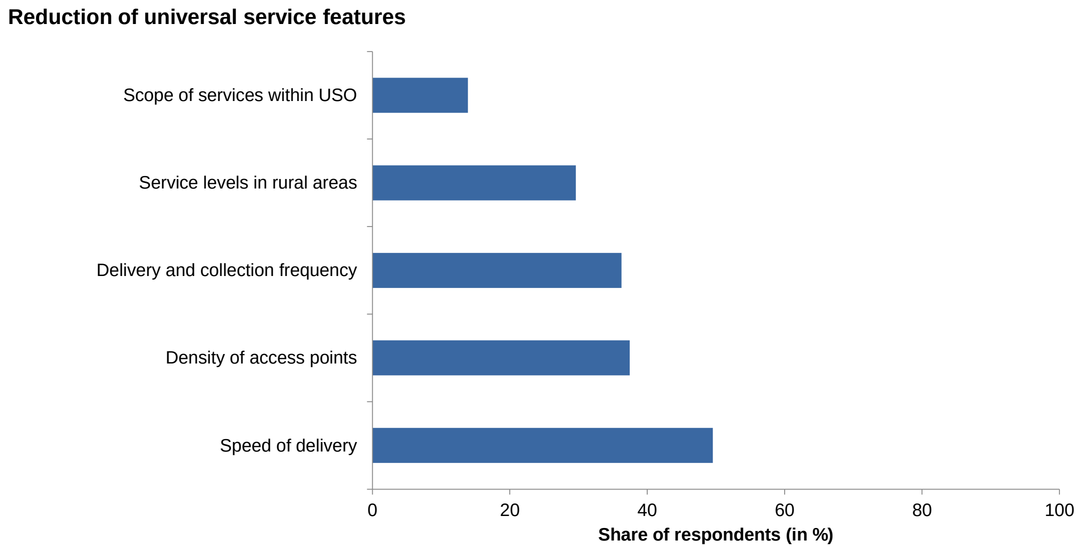
Figure 82. The figure shows that volumes for priority letters in three large postal markets have decreased much stronger than for non-priority mail. There are still communication purposes which require fast delivery (priority letters), such as postal votes, obituary notice letters, and medical appointments to users without access to digital communication means. However, these purposes account only for a small minority of today's letter mail. It follows that the relevance for fast delivery is much reduced nowadays. The results of the WIK stakeholder survey point in the same direction (see Figure 83). Half of participating users would accept reductions in the speed of delivery in the future, much more than for any of the other universal service features.

Figure 82 Volume developments in priority and non-priority letters (FR, SE, UK)



Sources: PostNord Annual Reports; Ofcom (2018), Annual monitoring update of the postal market; Royal Mail (2008), Regulatory accounts; ARCEP (2018), Données de l'observatoire postal

Figure 83 Users would accept reductions in quality of service in the future



Question: If the use of letters becomes less frequent in the future (5-10 years) what universal service features could be reduced?

n=331

Source: WIK Stakeholder online survey 2019 / postal users

Although users are willing to accept reductions in quality of service in the future, the quality performance still plays a role for them. As analysed in section 3.5, user surveys carried out by national regulators confirmed that reliability is becoming increasingly important. Surveys from a range of very different postal markets such as BE, FR, IE, NL and RO came to the conclusion that users value having a choice between a service with D+1 delivery and a cheaper postal product with longer transit times.[289] It is unclear whether postal operators sufficiently take such user needs into account when faced with volume declines that put their profitability under pressure. There is a risk that operators might undervalue user needs and, more specifically, consumer needs for differentiated services when USPs seek government approval for reductions in quality of service targets. It will therefore be a challenge for European and national postal regulation to address this issue and balance consumer needs on the one hand and commercial interests on the other. One option would be to stress the reliability aspect of letter delivery. This could be achieved by strengthening the D+5 transit time target defined in Annex II.

289 See BIPT (2017), Overall analysis about postal needs in Belgium; Ministre de Finance (2017), Consultation publique sur le contrat d'entreprise état – La Post 2018-2022; Frontier Econmics (2016), Research on postal users' needs, Report for ComReg; GfK (2016), Behoeften Postmarkt: (Toekomstige) wensen en behoeften van consumenten en MKB ten aanzien van postdiensten, report for MinEZ; Exact (2015), The use of postal services by individual users from Romania – Quantitative research report, report for ANCOM.

5.4.2.4 Coherent

The *Consumer Rights Directive*, which applies to B2C relationship, provides that a trader of a service should inform the consumer about the main characteristics of its goods or services, to the extent that is appropriate for the medium and for the goods or services.[290] According to the Commission Staff Guidance Document, the detail of the information depends on the complexity of the products or services.[291] Thus, this is a more general, i.e. broader in scope but less precise in details, obligation than the one imposed by the Postal Service Directive. Summing up, articles 16-18 of the Postal Services Directive are coherent with other EU laws imposing obligations to inform consumers.

The Postal Services Directive is also coherent with the *Services Directive* which provides that Member States should adopt accompanying measures encouraging service providers to take action on a voluntary basis in order to ensure the quality of service level, particularly through the use of certification and labels or quality charters.[292] Moreover, Member States should, in cooperation with the Commission, encourage the development of voluntary European standards to facilitate compatibility between services supplied by providers, information given to the recipient, and the quality of service provision in different Member States.[293]

The Postal Services Directive goes further than the Consumer Rights Directive: it is more precise in the type of information that should be given, focusses on the quality of the services, and addresses a wider scope of beneficiaries of the transparency requirement (not only consumers but all postal users). The Postal Services Directive also goes further than the Services Directive as it imposes, and not merely encourages, that quality standards are set and measured. Those additional obligations were justified because the lack of effective competition on the postal market at the time of the Postal Services Directive implied that market forces could not sufficiently be relied upon to deliver service quality, whereas quality for services had to be guaranteed as it was essential to the economy and the society. Although competition has increased in the postal markets since their liberalisation, the market forces are not enough to ensure service quality, yet, and still need to be complemented by regulation.

The provision of universal services which is subject to quality requirements should also be compliant with essential requirements (Article 5 of the Postal Services Directive). Essential requirements include, inter alia, **respect for the terms and conditions of employment as well as social security schemes**. There are no specific provisions in the postal sector on social security schemes, employment conditions, or security at

290 Directive 2011/83 of the European Parliament and of the Council of 25 October 2011 on consumer rights, OJ [2011] L 304/64, Arts. 5(1a) and 6(1a).
291 DG Justice Guidance document of June 2014 on the Consumer Rights Directive, p. 22.
292 Services Directive Art. 26(1).
293 Services Directive Art. 26(5).

work on the European level. In principle, all postal operators in the Member States have to comply with general social and employment legislation, as any other business. To facilitate the dialogue between social partners in the postal sector, a European social dialogue committee has been set up to contribute to the development of good working conditions for postal workers. This, in turn, may have a positive impact on the quality of service provision. Like in any other sector, good working conditions have a positive impact on the overall quality of a service.

However, in practice, there have been reports on bad working conditions, underpaid postal workers and other violations of social and employment conditions in many cases.[294] Some Member States have reacted with national sector-specific regulation for the postal sector. For example, Germany introduced a minimum wage for the postal sector in 2007 but it was annulled by the highest administrative court in 2010.[295] Trends and changes in the postal sector, in particular volume declines and decreasing quality standards for letters, have an impact on working conditions of delivery staff. Postal operators require increasing flexibility from postal workers in terms of flexible working hours, evening shifts for parcel delivery, or flexibility to work during peak periods. While there might be a need to take account of these developments in social and employment regulation, this is not a sector-specific problem. Social security and employment conditions should not depend on the sector a person is employed in, but should apply evenly to all sectors. Summing up, there are no obvious conflicts between essential requirements in the Postal Services Directive and general social and employment legislation, and the Postal Services Directive therefore is coherent with this general legislation.[296]

Quality requirements of the Postal Services Directive are also linked with **rules on transport**. In order to enable swift transport of postal items, Regulation 561/2006 on the harmonisation of certain social legislation relating to road transport enables Member States to exempt universal postal service providers from rules on driving and rest times.[297] Postal operators that are not recorded with the Commission as universal service providers may not benefit from such exemptions. In light of postal market trends, this results in different rules for universal service providers transporting letters that increasingly contain non-urgent content like advertisements, than for (non-universal) postal providers, like express companies, transporting e-commerce shipments impatiently expected by receivers. Although this may not be formally

294 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery.

295 See Bundesverwaltungsgericht (2010), Decision of 28.1.2010, BVerwG 8 C 19.09.

296 Earlier reports on behalf of the European Commission had argued that horizontal legislation appears more effective to remedy poor working conditions than postal legislation. See WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013), p.334f. See also Copenhagen Economics (2010), Main Developments in the Postal Sector (2008-2010), p. 151f.

297 Regulation 561/2006 of the European Parliament and of the Council of 15 March 2006 on the harmonisation of certain social legislation relating to road transport and amending Council Regulations 3821/85 and 2135/98 and repealing Council Regulation 3820/85, OJ [2006] L 102/1.

incoherent with the Postal Services Directive, it creates tension between ensuring high quality of service and a level playing field.

Going beyond the coherence analysis, it is interesting to note that similar quality requirements to the ones of the Postal Services Directive were also imposed by EU rules applicable in other network industries when those industries were opened to competition, such as electronic communications or energy. With the development of competition in those network industries, the quality requirements were progressively relaxed when the market was able to take over from the rules to ensure quality of service. However, requirements for the measurement and the transparency on the evolution of the service quality have been maintained. For instance, the new European Electronic Communications Code provides that the national regulatory authorities may require providers of internet access services and of publicly available interpersonal communications services to publish comprehensive, comparable, reliable, user-friendly and up-to-date information for end-users on the quality of their services and on measures taken to ensure equivalence in access for end-users with disabilities.[298] To facilitate the comparison of those indicators across Member States, BEREC, which is the EU network of the NRAs, should adopt guidelines detailing the relevant quality of service parameters, the applicable measurement methods, the content and format of publication of the information, and quality certification mechanisms.[299] Those reforms in the regulation of other network industries may bring some insights for the evolution of the Postal Services Directive, in particular on the possibility of relaxing the legal requirements on service quality in those postal market segments where effective competition develops, and the possibility to adopt guidelines at EU level for a better comparison of quality indicators across the Member States.

5.4.2.5 EU added value

The quality of international mail delivery always depends on at least two postal operators: the operator in the country of origin and in the country of destination (and in some cases even a third transition operator is involved). A Member State may require postal operators in its own country to comply with defined quality standards, but has no competence to impact quality of service standards abroad. Member States have no option to incentivise foreign operators, or sanction them in case of under-performance. Neither may Member States determine the frequency of delivery in other countries, which also has a direct impact on cross-border quality of service.

Although it is imaginable that several European operators would have agreed bilaterally on quality standards, it is doubtful that Community-wide quality standards for international mail would have been established and respected on a voluntary basis.

298 EECC, Art.104(1) and Annex X.
299 EECC, Art.104(2).

Action on the EU level has thus been necessary to improve quality of cross-border mail within the Community. The improvements in quality of service for cross-border intra-Community and domestic letter services have been triggered by the Postal Services Directive together with the REIMS agreement on terminal dues for international mail, as explained in section 5.4.2.1 on effectiveness of quality requirements.[300]

Research question 20:	**What is the envisaged evolution of quality of postal services in the absence of specific European requirements? Can MSs be expected to preserve the quality requirements and other user protection standards?**

For domestic quality of service, there is a trend towards more reliability as opposed to fast delivery on the level of transit time targets. Regarding monitoring and enforcing transit time performance, Member States and their regulators have sufficient incentives and powers to ensure domestic quality of service.

For international services, this is more difficult as the service concerns at least two operators. A national regulator only has the competence to monitor quality of the service for a part of the international service, i.e. either the inbound or outbound part, but never both. Ensuring a specific quality of service for international mail throughout the EU requires all NRAs to 1) set the same or similar standards and 2) monitor and potentially sanction underperforming operators. In light of already diverging quality of service targets in a situation where the Postal Services Directive applies, and a general trend to reduce quality of service performance due to volume declines, it will be very unlikely that quality of service performance would remain on today's level in the absence of the Postal Services Directive.

5.4.2.6 Conclusions on quality requirements

Effective

The Directive has triggered substantial improvements of quality of service, i.e. transit time performance of USPs. Domestic and cross-border transit times have improved substantially until 2008. After 2008, both domestic and cross-border transit time performance deteriorated. The main reasons for this development are volume declines and cost pressures on USPs.

Nonetheless, enforcing mechanisms for cross-border quality of service are lacking. NRAs should be vested with more competence to monitor cross-border processes and enforce compliance, e.g. by enhancing transparency or imposing fines.

Efficient

The costs for monitoring quality performance are not considered a heavy burden. Substantial investments may be necessary to improve quality of service, in particular from those operators that had historically low performance indicators. It is unclear whether this is an effect of the Postal Services Directive alone, since postal operators

300 See EC (2002), Report on the application of the Postal Service Directive (97/67/EC).

also face customer demands for high quality and timely delivery. There are substantial benefits of quality improvements that affect society and the economy as a whole. Benefits for private users, businesses, and public sector are so wide-spread that they outweigh costs.

Relevant

There is a continued relevance to define and enforce quality requirements to protect postal users and ensure USPs comply with a defined service level. However, the Postal Services Directive’s transit time targets for cross-border mail do not seem appropriate for the future in the context of changing user needs and volume declines. It will be important to strengthen the reliability target (D+5) for transit time of letters in the Postal Services Directive. For parcel services, market developments and demand by e-retailers seem a strong enough driver to ensure quality of service is further improved in the future without regulatory intervention.

Coherent

The quality requirements are coherent with more general EU rules applicable to services providers (such as the Services Directive and the Consumer Rights Directive) which, on the one hand, impose a requirement on service providers to provide information about the main quality of the services they offer and, on the other hand, encourage the development of voluntary EU quality standards.

The Postal Services Directive complements those rules and goes further by imposing specific national and EU quality standards as well as independent performance monitoring. The EU law on employment conditions and on the European social dialogue committee for the postal sector contribute to good working conditions and social dialogue which, in turn, may have a positive impact on the quality of services. Furthermore, some exemptions in road transport legislation may contribute to the delivery of good quality postal services.

EU added value

Quality of service targets defined in the Postal Services Directive have produced considerable EU added value. Its achievements for quality of cross-border services could not have been enforced by Member States on the national level due to a lack of competence of national regulators for the whole cross-border process.

5.4.3 Complaint procedures

5.4.3.1 Effective

The Postal Services Directive requires Member States to ensure that postal users may complain to their postal service provider. This requirement is very basic. It is in the natural interest of a business, even if it is not operating in fully competitive markets, to enable its customers to complain. However, the Postal Services Directive refers to postal users rather than customers. A customer is understood as the one paying for a service, i.e. the sender, not the receiver. Receiver rights are structurally neglected by many operators, and often receivers do not have the option to complain at all.

Although USPs shall be obliged to measure the number of complaints in a majority of countries, this requirement of Art. 19 is interpreted differently by Member States (see Table 41). Whereas USPs in 21 countries are obliged to measure complaints, only half of all Member States requires them to publish these statistics. Postal operators are obliged to provide compensation schemes in only half of all countries. On the application of standard EN 14012 see section 5.4.6.

Table 41 USP complaint procedures

	Applied in (# of countries)	Applied in
USP obliged to measure complaints	21	BG, CH, CY, CZ, EE, ES, EL, FI, FR, HR, IT, LT, LV, MT, PL, PT, RO, SE, SI, SK, UK
USP obliged to publish complaint statistics	15	CZ, EE, EL, FR, HR, IT, LV, MT, PL, PT, RO, SE, SI, SK, UK
USP not obliged	8	BE, DE, DK, HU, IS, HU, NL, NO
Compensation schemes	16	BG, CY, EL, FR, HR, HU, IE, IS, IT, LV, MT, PL, PT, RO, SK, UK

Note: No information for AT, IE, LI

Source: ERGP (2018), Report on Quality of Service, consumer protection and complaint handling, (18) 44

Research question 21:	**What is the impact of complaints procedures on quality of service? User satisfaction? Other benefits for consumers and markets?**

In theory, an increasing number of complaints, and requirements to publish these figures would increase the pressure on an operator to improve its services. Yet, this may come into effect only if the complainant is able to choose a different operator with higher quality.

In letter markets, the level of competition is often too low, so there is no choice for the user to switch the operator. In addition, if the complainant is a receiver, its rights are often neglected as receivers are not customers of postal operators from a commercial perspective. As a receiver is not party to the contract between operator and sender, receivers are often excluded from complaint procedures and only have access to external complaint procedures at NRAs or consumer organisations. A lack of options to lodge a complaint directly at the operator means receivers have to make greater efforts to search for other complaint options. It is reasonable to expect that some receivers are discouraged by such additional efforts and refrain from complaining. In order to improve the impact of complaint procedures on quality of service, the rights of receivers to file a complaint need to be strengthened.

As Table 42 shows, complaint procedures are approved by NRAs in only 18 out of 32 countries. Postal users in nearly all countries have the option to have the regulator review the operator's decision if a complaint was not solved satisfactorily from a user's perspective. The option to appeal to courts is ensured in at least 30 countries.

Table 42 NRA complaint procedures

	Applied in (# of countries)	Applied in
NRA approves complaint procedures	18	AT, BE, BG, HR, DK, EE, FR, HU, IS, IE, LV, MT, NO, PL, RO, SI, ES, CH
NRA reviews operator decisions	29	BE, BG, HR, CY, CZ, DK, EE, FI, FR, EL, HU, IS, IE, IT, LV, LT, LU, MT, NL, NO, PL, PT, RO, SK, SI, ES, SE, CH, UK
Option to appeal to courts	30 (NA: NL, UK)	AT, BE, BG, HR, CY, CZ, DE, DK, EE, FI, FR, EL, HU, IS, IE, IT, LI, LV, LT, LU, MT, NO, PL, PT, RO, SK, SI, ES, SE, CH

Note: No information for AT, IE, LI

Source: based on Copenhagen Economics (2018), Main Developments in the Postal Sector 2013-2016 and ERGP (2018), Report on quality of service, consumer protection and complaint handling

Research question 22:	Is reporting on complaints enough to ensure effectiveness of complaint procedures?

The obligation to report on complaints is positive from a postal user's perspective, as it improves transparency and therefore exercises at least some pressure on the operator to tackle the origin of the complaint. Effectiveness of complaint procedures includes two aspects. First, whether the complaints have been handled satisfactorily from the view of users (including the time it takes to handle the complaint as well as the outcome of the procedure). Second, whether the operator has indeed taken measures to improve its services and prevent further complaints in the future. Complaint reporting as such – either by a postal operator, a regulator, or another entity – does not allow conclusions on either of the two aspects.

In order to enhance consumer protection and set incentives for postal operators to handle complaints to the satisfaction of users, complaint procedures would need to be monitored more closely. Some authorities set objectives for the reaction time of an operator, and/or the period of time in which a complaint procedure shall be accomplished. An alternative approach to ensuring effective complaints procedures would be to require USPs to participate in out-of-court systems for alternative dispute resolution.

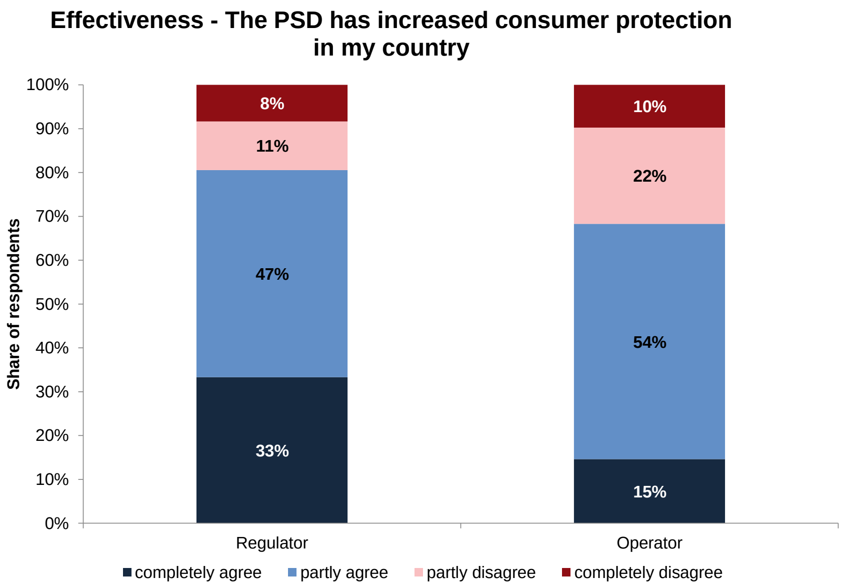
Research question 23:	How effective is the specific postal consumer protection regulation across the MSs? In the absence of sector-specific quality and complaints provisions, would the horizontal consumer protection framework be enough to ensure quality, regularity and reliability and an effective redress mechanism?

Consumer protection in the postal sector is ensured by rules on complaint procedures as well as quality (i.e. transit time) requirements. There are shortcomings in the implementation of the Postal Services Directive in this respect: in particular, only half of USPs are obliged to offer compensation schemes, and NRAs in some countries lack sufficient enforcement tools to deal with shortcomings in quality performance (e.g. DE).

As regards horizontal vs. sector-specific regulation, it is necessary to take a differentiated look. Transit time requirements are an area that is strongly correlated with universal service obligation and regulation where postal regulators are much better placed to monitor and intervene if necessary. From the view of postal users, there are advantages of sector-specific regulation as postal NRAs may be better placed to protect the rights of receivers than consumer protection agencies that typically represent the interests of consumers as customers.

Ensuring access to complaint procedures is the main tool for consumer protection that is anchored in the Postal Services Directive. In the stakeholder survey, only a third of NRAs fully agreed that the Postal Services Directive has increased consumer protection in their country, and only 15% of operators completely agreed (47% of NRAs and 54% of USPs partly agree, see Figure 84). As described above, the effectiveness of consumer protection through complaint procedures could be enhanced.

Figure 84 Consumer protection: effectiveness of Postal Services Directive



Source: WIK online survey 2019 / regulators and postal operators

5.4.3.2 Efficient

Costs and benefits relevant for the requirements of the Postal Services Directive on complaint procedures are displayed in Table 43. Operators' costs for implementing complaint procedures are not listed in the table, as every business needs to enable its customers and suppliers to complain. This normal commercial procedure can therefore not be taken into consideration for a cost-benefit analysis.

Table 43 Costs and benefits of complaint procedures

Complaint procedures	
Costs	Administrative costs for regulators to monitor compliance and review operator decisions
	Administrative costs for USPs (complaint statistics and reporting)
	Administrative costs for other postal operators (complaint statistics and reporting)
	Compensation paid to complainants
Benefits	Improve user protection
	Improve access to dispute resolution

Source: WIK-Consult

Costs

Regulators face administrative costs for monitoring compliance with requirements on complaint procedures and reviewing operator decisions. These costs account for 20 per cent of total regulator administrative costs (on average) and about EUR 9.6 million in 2017/2018 (see Table 44).[301]

Table 44 Administrative costs of regulators: complaint procedures (2017/2018)

Countries	Total regulator budget	Costs per capita
EEA, CH	EUR 9.6 million	EUR 0.02
EU-28	EUR 9.0 million	EUR 0.02

Source: WIK estimate based on NRA survey

Although operator costs for implementing complaint procedures are not taken into account, operators bear costs in terms of measuring the number of complaints, reporting to the NRA and publishing complaint statistics. As discussed in the section on effectiveness of complaint procedure requirements, operators are not obliged to measure and report complaints in all countries. It is difficult for operators to measure the administrative costs of these obligations, so there is no hard data available on these costs. According to interviews, administrative costs created by complaint procedures are a minor share of the administrative regulatory costs operators face to comply with postal regulation. National approaches to measure and monitor complaint statistics vary, and it is reasonable to assume USPs will face differences in costs. Some USPs publish complaint statistics in greater detail than others, like French La Poste[302] or British Royal Mail[303]. Although costs for preparing detailed reports are superior than merely stating complaint figures in annual reports, we come to the conclusion that such costs are negligible. In the case of Royal Mail, they would be included in the overall costs of complying with the regulations quoted in section 5.4.1.2.1.

We estimate costs for compensation paid to complainants to be much higher than administrative costs for postal operators. Only 16 Member States have compensation schemes in place, and compensation amounts are not published in all of them. Royal Mail has paid a total amount of EUR 8.95 million (~7.7 million GBP) in its financial year 2017/2018.[304] In total, about 336,000 complainants have received compensation, corresponding to 32.8% of all complaints.

301 Estimate based on expert review of NRA administrative cost distribution, as described in section 5.4.1.2.1.
302 See e.g. Le Groupe La Poste (2018), Résultats de la qualité du service universel postal et de la satisfaction client en 2018.
303 See e.g. Royal Mail (2018), Annual Report – Complaints and Compensation of 25 June 2018.
304 See Royal Mail (2018), Annual Report – Complaints and Compensation of 25 June 2018.

In France, La Poste has paid compensation to 16.9% of letter-related complaints in 2018, an increase from 15.8% in 2017.[305] Compensation amounts are not published by La Poste. In Belgium, the mediator for postal services reports that in 18% of parcel-related complaints compensation has been paid based on the conditions for insured parcels.[306] These costs for operators are a benefit for postal users at the same time.

Benefits

In general, Postal Services Directive rules on complaint procedures should enhance user protection, including improved access to dispute resolution and compensation. These benefits are somewhat limited by the lack of receiver protection in most countries, a lack of application of complaint handling standard EN 14012, as well as a lack of (mandatory) compensation schemes. Where compensation schemes are mandatory, postal users benefit from compensation paid to them. Costs for postal operators due to payment of compensation is therefore balanced by the benefit of receiving compensation on the user side.

Comparing costs and benefits

Postal operators interviewed for this study stated that costs for complaint procedures induced by the Postal Services Directive are minor. There is very little data available on the costs and benefits of complaint procedures. In the absence of data for other countries than the UK, comparing costs and benefits for complaint procedures of Royal Mail may help to understand the efficiency of the Postal Services Directive complaint rules.

While we estimate average regulatory costs for complaint procedures to amount to EUR 0.02 per capita, compensation paid to UK postal users amounts to EUR 0.14 per capita. This is equally a cost to Royal Mail as well as a benefit to users. We assume that not all postal users that complained received compensation from Royal Mail, which means that there is a potential to further increase the benefits for users. It is also important to note that Royal Mail's compensation policy is rather the exception than the rule within the Union, and that there are many USPs that grant compensation only in very specific cases, e.g. if an insured parcel is lost or severely damaged. Compensation paid in such specific cases remains far below the average compensation per capita in the case of Royal Mail.

While the Postal Services Directive complaint rules vest postal users with certain basic rights, the benefits for users could be much higher. The Directive's rules for access to complaint procedures are therefore of limited efficiency, mainly due to limited exploitation of benefits rather than costly procedures.

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305 See Le Groupe La Poste (2018), Résultats de la qualité du service universel postal et de la satisfaction client en 2018.

306 See Service de mediation pour le secteur postal (2018), Rapport annuel.

5.4.3.3 Relevant

Generally, each customer is free to complain to a service provider in case of problems. In competitive markets, customers have the additional option to switch to another provider if the complaint is not handled satisfactorily. In postal markets, this is not so easy. When the Postal Services Directive was introduced, the level of competition in European postal markets was very low and close to zero in many countries. Alternatives to the incumbent USP did not exist in most countries, and in the few markets with competing operators like Sweden and Spain, specific regions or customer groups (e.g. consumers or small business senders) were not served by competitors. During the transition process from postal monopolies to liberalised markets it was therefore important to require postal operators to provide easily accessible complaint procedures for protecting customers.

Today, there are some improvements in the competitive situation in postal markets, but still not all customer groups in all countries have access to alternative postal providers. In addition, postal operators are under pressure in times of falling mail volumes, so they tend to cut costs by reducing quality of service. This is potentially harmful to receivers and vulnerable users without bargaining power whose interests might be neglected. Therefore, it is important for consumers to be able to complain. However, the option to complain without obliging operators to handle the complaint in a certain way (e.g. within a specific number of days), or compensate the complainant for damage, is not an effective strategy. Standard EN 14012 on complaint handling only requires to define a maximum time scale within which a response can be expected, but does not recommend the length of this time scale. Thus there is a lack of precise requirements on complaint procedures, e.g. time allowed for responding to complaints.

If online shoppers receive letters or parcels with e-commerce content, the item may have been sent across border but the user is not aware of this.[307] In such cases, it is important for users to be able to complain in their home countries, so involved operators are obliged to identify which operator is responsible for the source of the complaint and, if needed, for paying compensation. Due to the increasing number of cross-border postal volumes, this aspect of complaint procedures will become more important in the future.

In recent years, the number of complaints from receivers is growing, in particular from online shoppers. For example, in Germany, receivers that escalate complaints to the mediation service of the regulator account for 23% of all complainants in 2018 and only 19% in 2017.[308] Not all NRAs or USPs publish complaint statistics according to the

307 This may happen if online shoppers order at online platforms. The location of the item may not be visible to the user at all, or item location and business location of the seller can be different. See e.g. WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery.

308 See BNetzA (2018), Tätigkeitsbericht Schlichtungsstelle Post and BNetzA (2017), Tätigkeitsbericht Schlichtungsstelle Post.

status of the user as sender or receiver. For example, Swedish NRA PTS notices an increasing number of complaints in recent years but does not split this into complaints from senders or receivers. In Sweden, complaints to the NRA have more than doubled between 2015 and 2018, which correspond with increasing complaints about parcel delivery.[309]

According to the Postal Services Directive, Member States shall adopt reimbursement or compensation schemes only 'where warranted'. This may yield unsatisfactory results from the user perspective in those 16 countries where compensation schemes do not exist.

5.4.3.4 Coherent

EU law tends to distinguish between internal and external complaint mechanisms and out-of-court dispute resolution mechanisms.

With regard to **internal complaint mechanisms**, Article 19(1) Postal Services Directive is coherent with other EU rules applicable to postal operators. In particular, the *Services Directive* foresees that service providers should supply contact details to which their customers could send a complaint and that the providers should respond to the complaint in the shortest possible time and make their best efforts to find a satisfactory solution.[310] The *Cross-border Parcel Regulation* foresees that providers of parcel services should inform the consumers about their own complaints handling policies.[311] However, the Postal Services Directive goes further and complements those rules by imposing more precise and far-reaching obligations.

Going beyond the coherence analysis, it is interesting to note that more recent EU rules provide even more precise obligations regarding the internal complaint mechanism. For instance, the recently adopted *Platform-to-Business Regulation*, which regulates the relationship between digital intermediary platforms and their business users, provides that those digital platforms should set up internal systems for handling the complaints of users which should be easily accessible, free of charge, swift, effective and proportionate to the issue concerned.[312] Moreover, all relevant information relating to the mechanism should be provided in the terms and conditions. Additionally, public information on the functioning and the effectiveness of the mechanisms should be made

309 See PTS (2019), Swedish Postal Market 2019, p. 22.
310 Services Directive, Art. 27(1).
311 Regulation 2018/644 of the European parliament and of the Council of 18 April 2018 on cross-border parcel delivery services, OJ [2018] L 112/19, art. 7.
312 Regulation 2019/1150 of the European Parliament and of the Council of 20 June 2019 on promoting fairness and transparency for business users of online intermediation services, OJ [2019] L 186/55, art. 11(1) and (2).

available. [313] For proportionality reasons, the obligation to set up an internal complaint mechanism does not apply to small enterprises.[314]

With regard to **out-of-court dispute resolution mechanisms**, two important EU laws have been adopted after the last amendment of the Postal Services Directive to facilitate resolving consumer disputes and expand the options for redress. First, the *Directive on Alternative Dispute Resolution (ADR) for consumer disputes*[315] provides that Member States designate an ADR entity which consumers can approach to resolve their dispute with a professional trader, such as a postal operator. Second, the *Regulation on online dispute resolution (ODR) for consumer disputes*[316] establishes an ODR platform to facilitate resolving disputes concerning online sales or service contracts between a consumer and a professional trader through the intervention of an ADR entity. The Postal Services Directive is coherent with those new legislations as both tend to facilitate users' redress. However, the ADR Directives goes further than the Postal Services Directive in its requirements and the transparency the ADR bodies should meet, but it has a more limited scope as it only applies to consumers. To increase the coherence even further, the Postal Services Directive could make a direct link to the ADR Directive, as has been done recently for legislations applicable to other network industries.[317]

5.4.3.5 EU added value

Consumers throughout the EU should have the same rights to complain regardless of the Member State in which they are located. This is important in particular for cross-border postal items induced by e-commerce. Similarly to the quality requirements, national regulators only have the competence to prescribe the manner by which postal operators should deal with user complaints within their own country. In case of complaints relating to cross-border services, at least two operators are involved, and it is not clear from the user's perspective which operator is responsible for the source of the complaint.

Postal Services Directive rules on complaints procedures relating to cross-border services are necessary to ensure user complaints are sufficiently dealt with regardless of whether the item has been sent domestically or across borders. This is specifically

313 Platform-to-Business Regulation 2019/1150, art. 11(3) and (4).
314 Platform-to-Business Regulation 2019/1150, art. 11(5).
315 Directive 2013/11 of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation 2006/2004 and Directive 2009/22 (Directive on consumer ADR) OJ [2013] L 165/63.
316 Regulation 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation 2006/2004 and Directive 2009/22 (Regulation on consumer ODR), OJ [2013] L 165/1.
317 For instance, the European Electronic Communications Code provides that the NRAs in charge of regulating the electronic communications sector should be listed as an ADR entity under the ADR Directive. The Code also provides that Member States may extend access to ADR procedures to end-users other than consumers, in particular microenterprises and small enterprises: EECC, Art.25.

important as users are not always able to determine whether an item had originated in another country, but it is obvious to users which postal operator delivered the item. If there was no Postal Services Directive, it might be more difficult for users of cross-border services to complain. There is value in ensuring postal users throughout the EEA Members States have the same rights to complain.

In case of domestic services, Member States have not ensured that complaint procedures are effective from the perspective of postal users. Although the ECC network of European consumer associations supports consumers, more could be done to increase consumer awareness.

5.4.3.6 Conclusions on complaint procedures

Effective

The Postal Services Directive rules on complaint procedures are enforced very differently in Member States, and there are certain gaps from the view of postal users. Major concerns include low or even lacking protection for receivers, a lack of mandatory compensation schemes, and a lack in the application of complaint handling standard EN 14012. There is a large potential to improve effectiveness.

Efficient

Where complaint procedures lack effectiveness, benefits for postal users are limited and its potential for improving postal services, as well as customer satisfaction, is not achieved. Although complaint procedures required by the Postal Services Directive are not a burden for operators, efficiency is limited by the low benefits that postal users may gain. There exists relevant potential to enhance benefits for users and make complaint procedures more efficient.

Relevant

In a context of falling letter volumes and potential quality losses in letter markets, and increasing e-commerce delivery issues in domestic and cross-border parcel markets, it is important to ensure user rights are not being neglected by postal operators. Ensuring effective complaint procedures is highly relevant to ensure users are able to express dissatisfaction and demand improvements or compensation. A growing number of complaints from receivers of parcels and letters show that this is of particular relevance for this user group.

Coherent

Article 19 of the Postal Services Directive makes the distinction, like other EU laws, between internal complaints mechanisms, external complaints mechanisms, and independent out-of-court dispute resolution. Regarding internal and external complaints, the Postal Services Directive is coherent with other EU rules applicable to postal operators, such as the Service Directive or the Regulation on cross-border parcel delivery services, but goes further and imposes more extensive obligations. Regarding out-of-court dispute resolution, new alternative dispute resolution rules have been adopted since the last revision of the Postal Services Directive and have expanded the possibilities of redress for the consumers of postal services. The Postal Services Directive is coherent with those new legislations. However, the Alternative Dispute Resolution Directive goes further than the Postal Services Directive. To increase the coherence even further, the Postal Services Directive could make a direct link to the Alternative Dispute Resolution Directive.

EU added value

EU added value exists in particular for ensuring easy and effective complaint procedures in case of cross-border services. The ECC network of European consumer associations supports consumers in achieving their rights but more action is needed to improve awareness of postal users and the effectiveness of existing complaint procedures.

5.4.4 Price regulation

5.4.4.1 Effective

Tariff principles

The application of tariff principles for universal services defined in Art. 12 of the Postal Services Directive varies considerably among Member States (see Table 46). Affordability is the principle defined by only a small minority of countries, while transparency is defined by half of all countries, and 24 out of 32 countries have defined cost orientation and non-discrimination. Uniform tariffs are defined in nearly all countries and applied, in practice, in all.

Among the principles set by Art. 12, **affordability** is the principle whose meaning is least clear from an economic perspective, and the most difficult to verify in postal regulation. There is no harmonised concept regarding how to ensure universal postal services are affordable, and in the past many regulators have chosen not to pay too much attention to the affordability criterion.[318]

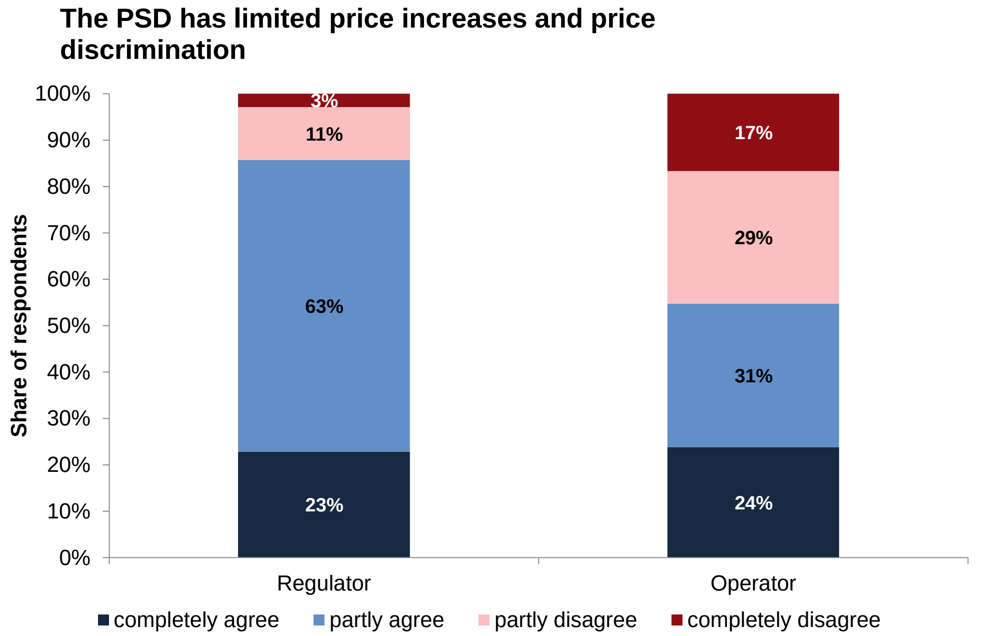
Lawmakers and regulators need to define on the national level how **cost orientation** is applied in practice, as the principle as such is not very specific. It neither defines the cost levels or time horizon, whether rate of return should be regarded, nor which cost standards should be applied. The word *orientation* also implies that tariffs do not need to match costs exactly – by how much cost-oriented prices may defer from costs needs to be decided on the national level. However, it is not clear how many European countries have defined cost orientation on the national level. While a study on main developments in the postal sector by WIK-Consult in 2013 indicated that 27 countries had done so, the more recent study by Copenhagen Economics only lists 16 countries with a definition of cost orientation.[319]

Member States apply different approaches to ensure cost orientation:[320] cost orientation may refer to individual tariffs, services, the scope of universal service, or a more specific selection of services. There are also differences between countries

318 See ERGP (2014), ERGP report on tariff regulation in a context of declining volumes, 14 (22).
319 See WIK-Consult (2013), Main Developments in the Postal Sector (2013-2016), p. 139.
320 See Copenhagen Economics (2018), Main Developments in the Postal Sector, p. 208 f.

regarding a reasonable profit. The application of cost orientation leaves much leeway for regulators, and also for operators in allocating common costs. Not all NRAs seem to verify cost orientation, and those who apply different test methods.[321] At least four NRAs apply price caps as a verification method for cost orientation.

Figure 85 Postal Services Directive has limited price increases and price discrimination



Source: WIK online survey 2019 / regulators and postal operators

The application of the cost orientation principle has effectively avoided or limited price increases in the past, as illustrated by the Belgian example in Case study 19. This assessment is also supported by NRAs: 86 per cent completely or partly agree that the Postal Services Directive has limited price increases and price discrimination. The application of cost orientation in that sense has been successful, even though national regulators have developed divergent approaches to assess cost orientation. The only cost standard defined is the FAC (fully allocated cost) standard. The standard implies that price regulated products each bear a share of common costs which is why the cost orientation principle may be used for limiting price increases but cannot detect predatory pricing. In order to detect predatory pricing, a different cost standard would be needed, e.g. long-run (average) incremental cost (LRIC/LRAIC). However, LRIC and LRAIC do not include common costs. LRAIC has been the applied as the relevant cost standard to determine whether predatory pricing took place in many competition cases

321 See ibid and WIK-Consult (2013), Main Developments in the Postal Sector (2013-2016), p. 139.

in the postal sector.[322] By contrast, the pricing principles of the Postal Services Directive offer very little guidance for NRAs in preventing predatory (to low) prices in competitive market segments. Variations of variable/incremental costing would be more appropriate to this end, and have indeed been applied by some (few) NRAs, and are regularly applied by NCAs under completion law.

Case study 19: Application of cost orientation in Belgium
In its pricing decision for the so-called 'small user basket' in 2017, Belgian regulator, BIPT, for the first time reviewed the principle of cost orientation in detail. In previous years, BIPT had accepted price increases by bpost as they were below the ceiling provided by the price cap formula. However, BIPT indicated in previous decisions that the principle of cost orientation had not been reviewed, and left it open to undertake such a review in the future. Although bpost's request for price increases for 2017 had been below the maximum provided by the price cap, BIPT rejected the request as the principle of cost orientation was not respected. The regulator decided that a reasonable profit should be taken into account but that this profit shall not exceed a margin of 15 per cent return on sales. However, the Belgian government decided to amend the postal law after this, further increasing bpost's scope for price increases.

Source: IBPT (2017), Decision du conseil de l' IBPT du 21 mars 2017 concernant l'analyse de la proposition tarifaire de bpost pour les tarifs pleins à l'unité pour l'année 2017

While cost orientation should generally serve to ensure limited price increases (to the extent indicated by cost increases rather than the amount enabled by market power), recent developments have indicated that cost orientation will no longer serve to limit increases but will be the driver for higher prices in the future. This is due to the increasing average cost per piece caused by volume declines, and it stresses the implicit conflict between the principles of affordability and cost orientation. Member States will have to decide between ensuring either one or the other principle in the future. For example, the pricing for priority letters in Denmark, that more than tripled within a few years, illustrates this conflict.

As illustrated by charts on price developments in section 2.1, domestic letter prices generally went up after the financial crisis that started in 2007. This is particularly true for EU-15 Member States and other EEA countries, where the average annual price increase was significantly lower than before. The principle of cost orientation for universal service tariffs had originally been established to limit price increases. However, in a period of volume declines, costs per unit are increasing and are driving prices beyond the scope allowed by inflation. In that sense, the cost orientation principle in the Postal Services Directive for postal tariffs is an unintended consequence. In those countries that recently increased prices for letters with 5-day-delivery (in contrast to a standard frequency of 2.5 days per week), this effect is most visible: Denmark and Italy.

322 For an overview, see WIK (2012), Kostenstandards in der Ex-Post-Preiskontrolle im Postmarkt, discussion paper no. 368.

Average annual price increases between 1998 and 2018 vary substantially between the 32 countries considered in this study. While there have been countries with nominally stable prices (CH, LI) or even price reductions for the 20g letter within the fastest standard category (BG, HR), several other have experienced strong increases, e.g. Nordic countries like FI, IS, and NO but also HU, PL, and SI (see Table 45). In the Member States that joined in 2004 and after, price increases were more pronounced in the period before 2007 than after that date (see Figure 16 in section 2.1). This was partly driven by high inflation rates: consumer prices increased strongly in many Eastern European countries, e.g. by more than 50% compared to 1998 in LV, HU, SI, and SK.[323] Preparing for EU membership and market liberalisation in terms of investing in quality and efficiency might also have played in role in driving prices in these countries.

Table 45 Average annual price increases for the 20g letter within the fastest standard category 1998-2018

Country	CAGR 1998-2018	Country	CAGR 1998-2018
AT	2.2%	CZ	6.7%
BE	3.5%	EE	5.1%
DE	1.0%	HU	8.1%
DK	9.9%	LT	4.6%
EL	4.2%	LV	6.8%
ES	4.7%	MT	3.1%
FI	5.4%	PL	8.7%
FR	3.5%	SI	8.3%
IE	4.4%	SK	3.6%
IT	7.4%	BG	-0.2%
LU	2.8%	HR	-3.9%
NL	4.1%	RO	14.3%
PT	2.3%	CH	0.0%
SE	2.8%	IS	8.1%
UK	4.6%	LI	0.0%
CY	2.2%	NO	6.4%

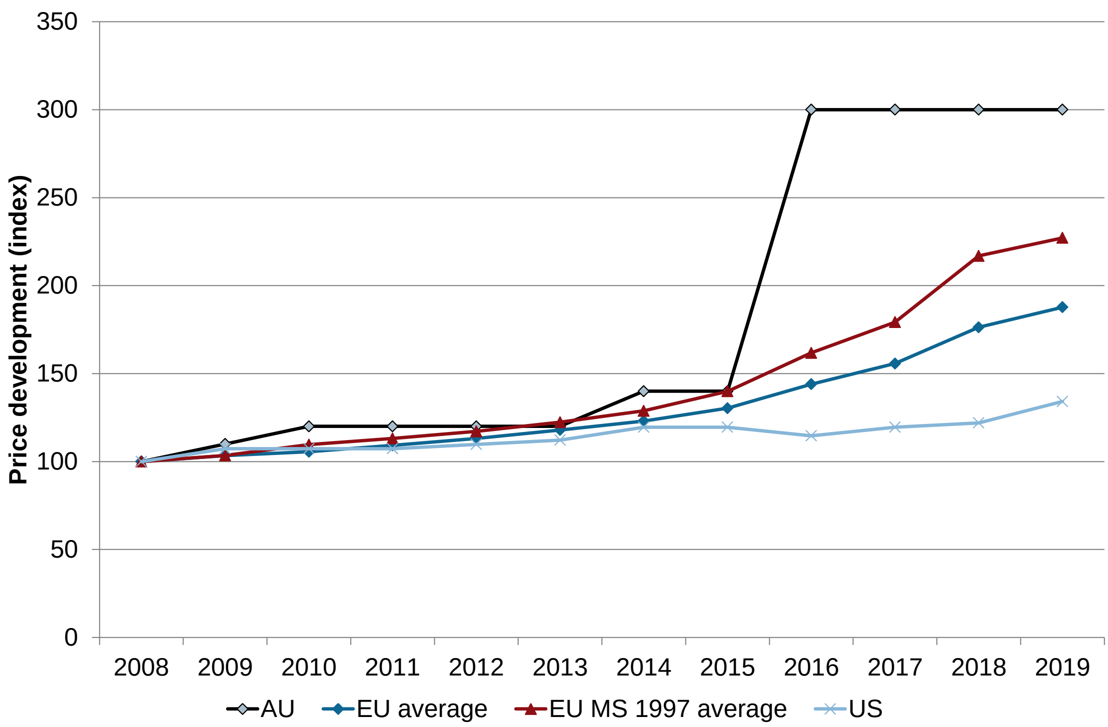
Source: Public price lists, WIK research

Countries outside the EU face similar problems: Australia Post reacted to strong declines in letter volumes by splitting postal services into priority and regular services in 2016. This was connected to a substantial price increase for the priority service while the 'regular' service is characterised by a decline in service levels, see Figure 86.[324] Continued volume declines after 2016 are the most important factor in further price

323 See Eurostat statistics on inflation rate.
324 See ACCC (2015), ACCC's view on Australia Post's draft price notification.

increases, which will become valid in 2020.[325] Letter prices in the U.S. have grown less than in the EU. The U.S. Postal Service is not allowed to increase prices beyond inflation rates, which resulted in very modest increases in the past, although price increases would have been necessary to cope with revenue declines triggered by volume losses.[326]

Figure 86 Price developments within the EU, Australia and the USA



Source: Australia Post price lists, USPS price lists, WIK research

The requirement of **transparency** is interpreted differently. While the majority of countries that have defined transparency requires USPs to publish tariffs online, the German USP is required to report tariffs to the NRA, while three countries do not have formal requirements on how transparency needs to be ensured. In practice, all USPs publish at least single-piece tariffs online. A requirement to publish also general discounts exists only in BE, ES, and NO. Business customers, in particular small and medium-sized senders without access to individually negotiated tariffs, may find it hard to identify suitable services and compare business prices and conditions between different operators (see also Case study 20).

325 See ACCC (2019), ACCC view on Australia Post's draft price notification

326 See PRC (2016), Annual Report for Fiscal Year 2015, and Post&Parcel (2015), Appeals Court demands review of USPS "exigent" price increase, July 11, 2015 [https://postandparcel.info/65581/news/appeals-court-demands-review-of-usps-exigent-price-increase/].

Case study 20: Transparency requirements in Sweden
Swedish regulator, PTS, reviewed the pricing model for pre-sorted business customer mail introduced by PostNord after having received complaints from stakeholders in the market about the new pricing model. Among others, stakeholders in the printing industry indicated that information about the new pricing system was distributed selectively and too late, pricing conditions were unclear, and discounts were applied in a discriminatory manner. Stakeholders considered the pricing model as being potentially harmful for competition and worried that competitors could be kicked out of the market. PTS found that the new pricing system made it very difficult for business customers to compare prices between PostNord and competitors in the market. One of PTS' conclusions was that'[…] *postal customers have little knowledge of what they are actually buying.'* PTS stated that there was a need for enhanced clarity and for simplification of the pricing model, and issued concerns that the principles of cost orientation and non-discrimination might be violated. Based on these findings, PTS issued new licence conditions for PostNord in 2011, imposing further publication obligations for business customer prices.

Source: PTS (2010), Postens förändrade prismodell för sorterade brevsändningar 2010; PTS (2012), Analys av om Posten AB's prissättning är öppen för insyn och icke-diskriminerande

The principle of **non-discrimination** has become relevant in the context of downstream access based on the definition of 'special tariffs' (Art. 12, fifth indent, of the Postal Services Directive). This aspect is analysed in greater detail in the section on a level playing field below. A general problem with the implementation of the pricing principles was created by the CJEU's decision in the bpost case. Since that decision, it became more unclear to regulators how to apply the principle, and which discounts should be accessible for competitors and consolidators. The CJEU decided, in this case, that bpost may grant so-called volume discounts only to 'senders', based on the assumption that only those at the origin of the postal item are able to increase volumes. This resulted in very diverse practices among Member States regarding the permissible extent of price discrimination.

Table 46 Implementation of pricing principles

	Countries	# of MS
Affordability		
Affordability defined?	BE, BG, DE, IT, UK	5
Cost orientation		
Cost orientation defined at all?	BE, BG, CY, CZ, FR, HU, IE, IT, LT, MT, NL, PT, RO, SI, SK, CZ	16
Cost orientation not defined? / NA	AT, HR, DK, EE, FI, DE, EL, IS, LV, LI, LU, NO, PL, SE, UK	15
Transparency		
Transparency defined?	BE, BG, HR, CZ, EE, FI, FR, DE, EL, HU, IE, IT, LV, LI, LT, MT, NO, PL, PT, RO, ES, SI, CH, UK	24
Transparency: publish at website	HR, CZ, EE, FI, FR, EL, IE, IT, LV, LI, LT, MT, RO, SI, CH, UK	16
Transparency: publish tariffs and general discounts	BE, NO, ES	3
Transparency: publish tariffs and general discounts to relevant users only	BG	1
Transparency: publish tariffs to NRA	DE	1
Transparency: publish without formal requirements	HU, PL, PT	3
Transparency: NA	AT, CY, DK, IS, LU, NL, SK, SE	8
Non-discrimination		
Non-discrimination defined at all?	BG, HR, CZ, EE, FR, DE, EL, HU, IE, IT, LV, LI, LT, MT, NO, PL, PT, RO, ES, SK, SI, CH, SE, UK	24

Source: Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016)

Research question 24:	**Is the principle of uniform tariffs established in all Member States? Is it necessary to prevent zonal pricing or surcharges in remote areas for consumers?**

Uniform tariffs are ensured for single-piece universal services in all but two Member States (DE and SK). However, USPs in these countries do not apply zonal pricing for single-piece items either. In practice, there are uniform tariffs for single-piece letters and parcels established in all 32 countries. For bulk letters, a few USPs apply zonal prices, e.g. in the UK and SE, taking regional cost differences in different areas into account. These prices apply for businesses and for volumes sent in bulk, i.e. not falling under the uniform tariff principle defined in Art. 12, second indent, of the Postal Services Directive. It does not appear necessary to require uniform prices for letters.

For parcel delivery (non-USO), there has been a discussion on surcharges for inhabitants of rural and remote areas, in particular in the UK. CitizensAdvice Scotland showed in study on parcel delivery in different areas of the UK that there was a ‘postcode penalty’ for e-shoppers in highland and island areas of Scotland as well as in Northern Ireland. In other research, Ofcom found that parcel operators (other than Royal Mail as the designated USP) apply higher prices for bulk and single-piece parcels sent to Scotland and Northern Ireland. Ofcom acknowledged that in terms of delivery fees required by online retailers only some e-retailers apply surcharges to these areas. Whether online shoppers living in these areas have to pay higher delivery fees is a pricing decision made by the e-retailer. Customers sending single-piece parcels to Scotland and Northern Ireland always have the option to send a universal service parcel.

Source: Gaches, J. (2017), Parcel delivery surcharging in Northern Ireland and the Scottish Highlands & Islands, conference paper for 25th conference on postal and delivery economics, 25-27 May 2017; Citizens Advice Scotland (2017), The postcode penalty: delivering solutions; Ofcom (2018), Annual monitoring update on the postal market, FY 2016/2017

Research question 25:	**Can quality of service be correlated with the method of price regulation applied by each Member State and frequency of updates?**

Based on our experience with price regulation approaches, and available information for this report, no such correlation can be identified.

Principles for setting terminal dues

Article 13 of the Postal Services Directive contains principles on how to set terminal dues for intra-Community cross-border mail. The first principle (‘terminal dues shall be fixed in relation to the costs of processing and delivering incoming cross-border mail’) seems to imply a different cost basis than the cost orientation principle set out in Article 12, second indent. While it is clear that terminal dues are paid only for the process of transporting and delivering in the country of destination (i.e. after international mail has been handed over by the USP of the country of origin), it is less clear how the term ‘*fixed in relation to costs’* is different to ‘*cost oriented’*. In addition, terminal dues need to be related to the quality of service (Art. 13 (1), second indent). For intra-Community cross-border mail, the EU Member States agreed on a remuneration system called the REIMS contracts (see 5.4.1.6). In 1998, the REIMS II agreements were established which linked terminal dues for intra-Community mail to service quality. As to how the principle of cost-related terminal dues has been respected remains uncertain, as all REIMS agreements have been treated confidentially by the involved USPs – public information about terminal dues structure, level, or cost relation is not available. National regulators or governments also do not have information about REIMS terminal dues, and USPs are not obliged to report this to them.

The confidential nature of the REIMS agreements was obviously in conflict with the principle of transparency laid down in Art. 13 (1), third indent. The principle of non-discrimination, defined in the same indent, applies to terminal dues as in the case of national tariffs. Whether it has been respected is unclear due to a lack of regulatory oversight in this area. Hitherto, postal regulators have not included terminal dues in price control, i.e. a verification test of the principles laid down in Art. 13 has not taken place.

Although publicly available information is lacking, the REIMS system no longer seems to be applied by USPs. Instead, postal market experts interviewed for this study indicated that individually negotiated terminal dues are applied. Naturally, there is neither information on the structure and level of these remunerations nor have regulators tested their compliance with the Postal Services Directive's principles for terminal dues.

Summing up, neither the European Commission services, national ministries nor national regulators are well informed about terminal dues applied by EU USPs, and tariff principles for terminal dues have never been effectively monitored. A study by WIK-Consult in 2013 showed that there are substantial shortcomings in the application of the principles defined in Article 13. In that study, only 3 regulators confirmed intra-Community terminal dues were transparent, 16 confirmed the principle of cost orientation was respected. There seemed to be a general lack of information on intra-Community terminal dues among the surveyed regulators.[327] It is therefore highly unclear whether or how the principles defined in Art. 13 have been respected.

The quality component within the REIMS agreements indicate that REIMS terminal dues have been aligned to some extent with terminal dues principles in the past, but there are no available data to assess whether this is the case today. Art. 13 does not define a clear competence for national regulators or the European Commission to monitor or verify compliance. The objectives of this article to enhance market oversight for regulators and improve quality and efficiency of intra-Community cross-border postal services could thus not be achieved.

327 See WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013), p. 92 ff.

Research question 26:	**To what extent is quality performance taken into account in price regulation?**

When comparing prices for postal services between European USPs, there are obviously large differences. While Scandinavian countries are always at the upper quantile of the price range, some Eastern and Southern Member States are located at the lower end. It might be tempting to attribute these differences to different quality levels but there are many factors that contribute to price setting. Economies of scale and scope, as well as the population density, play a much higher role than quality performance in explaining price differences.

In practice, only a few regulators take quality performance into account in price regulation. For example, bpost benefitted from a quality bonus in its price cap formula. In Portugal, ANACOM took quality performance of Correios/CTT into account – in spite of the complex analysis, the impact of the quality factor was limited by definition and thus had little impact on prices. Where regulators include quality performance in price regulation, this might only have an impact on the extent of price increases, but not on the overall level of tariffs.

Source: WIK Diskussionsbeitrag (2011), Qualitätsfaktoren in der Post-Entgeltregulierung, Bad Honnef, November 2011

Research question 27:	**Why are the tariff principles different for internal mail than for cross-border mail and what is the impact thereof on price? Impact on demand, competitiveness and cross-border trade and establishment?**

Tariff principles set out in Art. 12 apply to end-user prices, whereas the principles in Art. 13 apply to terminal dues. Terminal dues play an important role in setting end-user prices for cross-border services, but they are, by definition, distinct from list prices for consumers or businesses. Terminal dues are paid and received between USPs for delivery of international mail: the USP in the country of origin receives postal items from users which have to be delivered in the country of destination by the receiving USP. The sending USP pays terminal dues to the receiving USP for delivery of the items, as this step in the postal value chain accounts for the majority of costs. End-user prices for international items not only reflect the costs for delivering the item in the country of origin, but take into account many other aspects, including costs for collection, processing and international exchange. Therefore, necessarily, principles for setting terminal dues and end-user prices have to be different.

5.4.4.2 Efficient

While the Postal Services Directive requires Member States to ensure that their USPs respect certain tariff principles, these principles are verified in practice by price control mechanisms which Member States are free to choose. Costs and benefits of price controls discussed, therefore, refer to different mechanisms, e.g. price caps, ex-ante price regulation for individual services, and ex-post control.

Price regulation implies administrative costs for regulators and USPs, having to comply with the pricing principles set by national regulations, maintaining separate accounts, as well as reporting and providing additional information to regulators (see Table 47). On the benefit side, price regulation limits price increases to the extent determined by the principles of cost orientation and affordability. Price regulation thus ensures that users of universal services do not pay too much, i.e. monopoly prices.

Table 47 Costs and benefits of price regulation

Price regulation	
Costs	Administrative costs for regulators (% price regulation)
	Administrative costs for USPs: comply with pricing principles, maintain separate accounts for universal and non-universal services, reporting costs
Benefits	Lower prices for postal users

Source: WIK-Consult

Costs

Table 48 Administrative costs of regulators: price regulation

Countries	**Total regulator budget**	**Costs per capita**
EEA, CH	EUR 7.2 million	EUR 0.01
EU-28	EUR 6.8 million	EUR 0.01

Source: WIK estimate based on NRA survey

The administrative costs for regulators are estimated to account for 15 per cent of their annual budgets. For the year 2018, this share amounts to EUR 7.2 million for all 32 countries (see Table 48), corresponding to EUR 0.01 per capita on average. Although it is evident that USPs face administrative costs incurred by price regulation, it is not possible to separate these costs from other administrative costs incurred by universal service regulation, as explained in section 5.4.1.2.

It is important to note that the principle of cost orientation is by far the most burdensome principle among the principles of Art. 12, for NRAs as well as USPs. As indicated in the section on effectiveness, there are different approaches to verify cost orientation, and at least six regulators (BG, CY, IE, LT, PT, RO) verify cost orientation on the level of individual tariffs, i.e. weight steps within a specific service, while IT and SI verify this on the level of individual services (e.g. non-priority domestic letters). USPs need to provide very detailed cost information – and NRAs need to analyse and assess it – which may not further detracts from the goal of protecting users from excessive pricing. In addition, the pricing flexibility of the USP is non-existent for regulated services, limiting its ability to react to market developments. Other NRAs interpret cost orientation for a basket of services or the scope of universal service as a whole, which is less burdensome to regulators and operators but still prevents excessive pricing.

Benefits

In economic theory, the benefits of price regulation in markets with low competition and incumbents with significant market power are obvious, as they protect customers from paying too much. A quantification of these benefits would require information on price increases sought by USPs absent price regulation, and on increases permitted by regulators absent the Postal Services Directive pricing principles. Such information is, however, not available.

In the absence of hard data on the benefits of price regulation, it is worth looking at the characteristics of price control mechanisms applied in practice. Where NRAs directly review and verify cost orientation (as described in Belgium, Case study 19), price increases have been restricted to cost increases in the past, and postal users are protected from paying prices that could only be achieved in markets with low competition. Where NRAs apply price caps to limit price increases, price cap formulas include an efficiency factor. The existence of this factor is a signal for operators that their cost structure is not sufficiently efficient. Therefore, it ensures that operators have incentives to enhance efficiency. As the efficiency factor (so-called X-factor) limits the scope for price increases, operators that manage to enhance their efficiency beyond the scope of the X-factor may retain these efficiency gains. Price caps are applied in ten Member States (BE, DE, EE, FR, HR, HU, LT, NL, PT, SE).[328]

The benefits of price regulation also include a comparison between a situation with and without effective price controls. Naturally, a situation without price controls is highly hypothetical but there are some indications how prices would develop in the absence of controls. The example of the UK seems to indicate that price regulation might not be necessary to limit price increases (see Case study 21), but it is doubtful whether the situation in the UK is transferable to other countries. Although Royal Mail benefits from vast pricing flexibility, there are also many restrictions, not least the regulators' comprehensive monitoring regime which is one of the closest within the EU. In addition, access competition, the threat of end-to-end-competition as well as the threat of re-introducing traditional price control mechanisms limit Royal Mail's appetite for strong price moves.

328 See Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016). A report by ERGP in 2014 indicated that DK and PL also applied price caps. The price cap applied in the UK is a safeguard cap to ensure affordability and is applied without an efficiency factor. See ERGP (14), Tariff regulation in a context of declining mail volume.

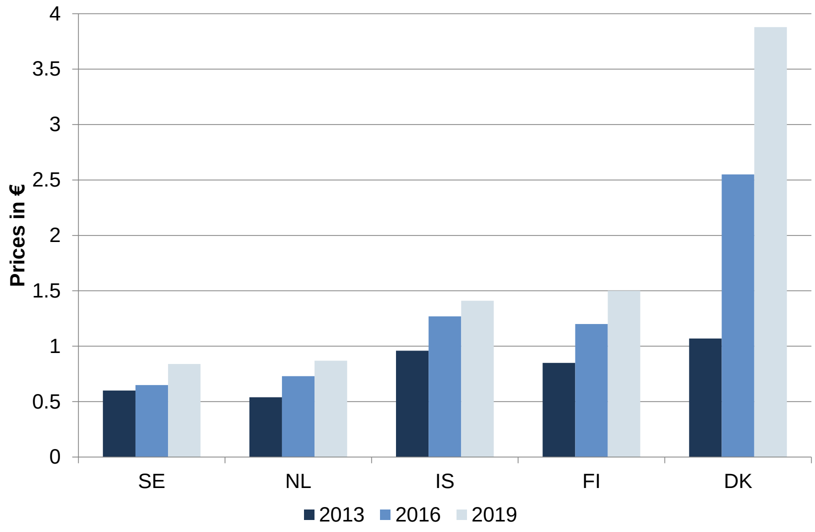
Case study 21: Price control in the UK
The first country to release its USP – though only partly – from price control was the UK, in 2012, when Ofcom implemented a new regulatory framework. With the decision to abolish traditional price controls, Ofcom gave Royal Mail flexibility to price its priority mail products freely. To ensure affordability for vulnerable users, a safeguard cap for non-priority services was implemented. However, Royal Mail is not discharged from regulation; access to Royal Mail's postal network is regulated. Ofcom put in place a comprehensive monitoring regime which monitors closely, among others, quality of service, financial and operating performance as well as cost allocation and efficiency. Between 2011 (the last year under the old price regulation scheme) and 2019, public tariffs for first class mail increased by about 50 per cent. Although this may seem high at first, the average annual increase is below 4 per cent which can be considered moderate in light of volume declines. Ofcom states in its 5-year-review of the regulatory framework '*We consider that market conditions and shareholder discipline are more likely to be effective in securing an efficient and financially sustainable universal postal service than the imposition of additional regulation*.'

Source: Ofcom (2012), Securing the Universal Postal Service, decision on the new regulatory framework; Ofcom (2017), Review of the regulation of Royal Mail.

In a number of EU/EEA Member States, regulatory requirements for the scope of universal service have been reduced recently – e.g. lower frequency of delivery (Denmark, Iceland, and the Netherlands) and/or longer transit time (Finland and Sweden). Obviously, this has not been sufficient for the relevant operator to keep costs under control, as users in these countries have faced strong price increases (see Figure 87). Although somewhat speculative, it could be reasonable to assume that USPs in these countries would have increased prices even more in the absence of price control. For the case of Sweden, this is documented by PTS' statement in its annual market survey.[329] The Swedish price cap would allow an increase of 0.19 SEK (~0.02 EURO) for 2019 which is regarded as insufficient by PostNord Sweden to cover average unit costs, even though priority and non-priority letter services in Sweden have been merged to a D+2 service.

329 See PTS (2019), The Swedish postal market 2019, p. 39.

Figure 87 Developments of public tariffs in selected countries (20g letter, fastest standard category)



Source: USP price lists

Comparing costs and benefits

In the absence of effective competition on letter markets, price regulation is the second-best solution to ensuring users do not pay too much. Hard data on the benefits of price regulation is not available but there are indications that price controls by NRAs have prevented or limited price increases in many cases in the past. Taking into account the size of the postal market in terms of volume, in particular before volumes started to decline, it becomes clear that many postal users, who did not have access to negotiated prices, have benefitted from price controls. Had there been no price regulation, users would pay more for postal services. In the context of volume declines, it is very likely postal operators would increase universal service tariffs beyond the scope that is set by the Postal Services Directive and its national transposition in the absence of such regulation.

Summing up, administrative costs for regulators are low, and operator costs for coping with price regulation are only a small fraction at EUR 0.38 per capita (An Post administrative cost for complying with regulation, section 5.4.1.2). Our overall assessment is that lower and non-excessive prices paid by users far outweigh these costs.

The efficiency of principles for setting terminal dues cannot be assessed, as Art. 13 has not been enforced by NRAs, and no data is available on the application of terminal dues by USPs for intra-EU traffic.

5.4.4.3 Relevant

In the first years after the Postal Services Directive was introduced, European postal markets transformed from State-owned monopolies to liberalised markets. The role of the Postal Services Directive's pricing principles was to limit price increases in newly liberalised markets where competitive pressures did not yet exist. The principles also served to ensure postal users are informed about postal prices and treated equally. In the past, the tariff principles of Art. 12 have thus been highly relevant in the transition process towards liberalised postal markets.

In the last years and today, volume declines in nearly all European postal markets have triggered price increases for postal users. Prices followed the path of increased costs per item in accordance with **cost orientation**, and this trend will continue in the short- and long-run. Since postal prices have been quite low in many Member States for a long time, the need to define and verify **affordability** was not urgent. However, in some countries, price increases have been substantial: the current price for a domestic priority letter stamp in IT is EUR 2.80, and DKK 29/EUR 3.88 in DK. Even though postal users send fewer letters than in the 1990s, the need for a clear definition and a method for verifying affordability has become more important today and also in the future. The average consumer might not be heavily affected by such price increases, not even in Italy and Denmark, as average consumers send a very low number of letters. However, there are user groups for which strong price increases can be a problem. This affects people without alternatives to letters, e.g. without internet access or low digital skills. The number of users for whom strong price increases for letters are a problem will vary substantially between Member States but it is clear that affordability is a potential problem for (very) small user groups. That said, the concept of universal service requires provision of affordable alternatives for this group. In this context, the implicit conflict between affordability and cost orientation will both become more relevant and evident.

The option of requiring **uniform tariffs** for single-piece mail might have been regarded as relevant when the Postal Services Directive was introduced, in order to avoid zonal prices based on an interpretation of the cost orientation principle. With hindsight, economic arguments make it very unlikely that USPs would apply zonal tariffs for single-piece mail. Zonal prices for single mail items would create an overly-complex pricing structure as well as a high transaction cost for each mail piece. In addition, zonal pricing for consumers would create an error-prone system. Business bulk mail is not within the scope of the uniform pricing principle and is applied by some USPs. It is doubtful whether the uniform tariff principle is still relevant today.

It goes without saying that postal users need to be informed about prices and conditions, and USPs are generally coping with the **transparency** principle out of their own interest. The tariff principles of Art. 12 refer to universal services which comprise discounted bulk mail services in many Member States. As analysed in the section on effectiveness of price regulation, only a few Member States have included general discounts to be subject to transparency requirements for USPs. In particular in markets where (small) business senders lack alternatives to the incumbent operator, transparency on available discounts for small and medium business senders is important. Against the background of consolidation tendencies in markets where some competition has evolved (e.g. NL, DE, and the UK), transparency requirements for bulk mailers will remain important in the future.

Terminal dues principles have not been monitored by regulators, but this does not mean they are irrelevant. Cross-border volumes within the EU have increased in the past few years and will continue to grow. Postal users – both consumers and e-retailers – send and receive more and more cross-border items with e-commerce content. At the same time, there are concerns about high prices for cross-border letters and parcels.[330] Regulatory oversight on cross-border mail is lacking which led to Regulation 2018/644 on cross-border parcel delivery services. Terminal dues for universal services are an important factor in setting prices for cross-border mail for which its potential had not been exploited in the past.

Research question 28:	**Map number of letters (same category i.e. 20g) that could be mailed nationally/cross-border for the average wage over 2013-2017. Did the Postal Services Directive contribute to keeping prices low/under control and/or affordable?**
The affordability principle has not been verified by in most Member States in the past. However, the pricing principles have effectively ensured price increases are justified by cost increases. See also section 2.1 that illustrates price developments since 1998.	

5.4.4.4 Coherent

Article 12 of the Postal Services Directive requires that the tariffs of the services forming part of the universal service should be transparent and non-discriminatory. This is - and must be - coherent with the *Regulation on cross-border parcel delivery services* which also imposes tariff transparency; the Regulation is based on and complements the Postal Services Directive.[331]

Article 12 of the Postal Services Directive also requires that the tariffs of the services forming part of the universal service should be affordable and cost oriented. Those two requirements may cause tension when delivery costs increase substantially due to a

330 See EC (2012), Green Paper, An integrated parcel delivery market for the growth of e-commerce in the EU, COM(2012) 698 final.
331 Regulation 2018/644 of the European parliament and of the Council of 18 April 2018 on cross-border parcel delivery services, OJ [2018] L 112/19, art.5.

decrease in volume, e.g. in Denmark and Italy up to the point that a (high) cost-oriented tariff becomes less affordable for some postal users.

To reduce such internal tension within the Postal Service Directive, it may be interesting to consider solutions found in the regulation of other network industries, although this goes beyond the coherence analysis. Other EU rules on network industries distinguish between the affordability requirement which applies to universal services and the cost orientation requirement which applies to other services:

- Regarding affordable tariffs, the *European Electronic Communication Code* provides that NRAs should monitor the evolution and level of retail prices for those services forming part of the universal service, in particular those relating to national prices and national consumer income. In case of a lack of affordability, Member States should take measures to ensure such affordability by providing direct support to consumers or imposing the provision of below cost tariffs for certain customers.[332] The *Electricity Directive* provides that Member States should define vulnerable customers on the basis of, *inter alia*, income levels, the share of energy expenditure of disposable income, the energy efficiency of homes, critical dependence on electrical equipment for health reasons, or age. Member States should take appropriate measures, such as providing benefits by means of their social security systems, to ensure the necessary supply to vulnerable customers.[333]
- With regard to cost-oriented tariffs, EU laws applicable to other network industries, in general, distinguishes between wholesale tariffs and retail tariffs. Wholesale tariffs are often strictly regulated to contribute to the development of effective competition, while retail tariffs continue to be regulated only when market competition is too weak to guarantee cost-based tariffs. For instance, the *European Electronic Communications Code* provides that when retail markets are not effectively competitive and when the imposition of remedies on the wholesale market could not solve the problems, NRAs may impose retail-price control obligations, including retail-price cap measures, measures to control individual tariffs, or measures to orient tariffs toward costs or prices on comparable markets, in order to protect end-user interests whilst promoting effective competition.[334] In this case, the NRAs may also impose the implementation of necessary and appropriate cost-accounting systems.

Price regulation may be in conflict with **EU competition law** if it creates competitive advantages or disadvantages for some postal operators over their competitors. This may be the case if a Member State forces a postal operator to offer its services below costs to ensure that they remain affordable. To alleviate tension with competition law,

332 EECC, art.85.
333 Electricity Directive, art.28.
334 EECC, art.83.

the Member State should then compensate this ‘compulsory loss’ in order not to impose a competitive disadvantage to that operator. Similarly, the imposition of tariff averaging (the requirement to provide a uniform tariff for single-piece services) through the whole territory may create competitive distortions which are in conflict with cost orientation that competition law aims to achieve. To reduce those tensions, Article 12 should be applied in a way that minimise competitive and market distortions.

In the context of international mail, **VAT and customs exemptions** for low-value items shipped by universal service providers are relevant. Commercial goods of low value (up to EUR 22) shipped by universal service providers are exempt from VAT[335] and do not need a full customs declaration. Goods shipped as letters or packets by universal service providers may use a UPU form (CN 22/CN23) to benefit from a simplified customs procedure. At first sight, this seems to contribute to the Postal Services Directive objective to ensure that universal service tariffs are ‘affordable’. However, it should be kept in mind that the vast majority of items that are subject to customs and VAT exemptions is imported to the EU from Asian countries, in most cases free of shipping charges or at very low costs. Even though European consumers also benefit from lower prices for products ordered online from Asia, the beneficiaries of these exemptions in combination with low terminal dues are mainly producers and retailers in Asia. The VAT and customs exemptions create competitive distortions between Asian and European producers and/or retailers. However, this situation will change in 2021 when the VAT de-minimis rules will be abolished and USPs will need to process commercial goods through normal customs procedures.

Article 13 of the Postal Services Directive provides that **terminal dues** for intra-Community cross-border mail should be fixed in relation to the costs of processing and delivering incoming cross-border mail, related to the quality of the services, and be transparent and non-discriminatory. Terminal dues are often also subject to rules agreed within international organisations such as the UPU or the International Post Corporation (for the REIMS/IRA-E agreements). At the UPU level, terminal dues are set according to several criteria: the domestic rates but also the country position within UPU groups, different price floors and price ceilings and a quality of service adjustment. Therefore, terminal dues are not necessarily related to costs (and may be below costs) and may be discriminatory. This is why in the past, some commentators have pointed to inconsistencies between terminal dues agreed at the UPU and the Postal Services Directive.[336] Since then, the UPU terminal dues have evolved and a possibility of self-declared rates, which could be better aligned on costs, has been decided at the UPU

335 Member States may decide to grant exemptions for low-value goods between EUR 10 and 22, Directive 2009/132/EC of 19 October 2009.

336 In particular, Damien Geradin, Legal Opinion on the Compatibility of the Proposed Target System for Terminal Dues with EU Law, April 2012 noting that: “In that regard, Professor Geradin states that: *“the system of terminal dues as proposed for the 2012 UPU Convention infringes the provisions of the Postal Directive, especially because of the non-alignment of terminal dues on the real costs of providing international mail delivery services and the discrimination, based on origin, it creates”*.

Extraordinary Congress in September 2019. However, even those self-declared rates may in some cases not be in relation to costs and may be discriminatory. There is less information on the REIMS agreement concluded at the International Post Corporation, but the agreed price caps may be in conflict with the requirements of Articles 12 and 13 of the Postal Services Directive.

5.4.4.5 EU added value

Harmonised principles for postal tariffs are important for completing the internal market. It is one of the Postal Services Directive objectives that users should have the right to access information on services offered as well as their prices and quality (Recital 14). The EU is best placed to ensure such information rights are transposed in all Member States.

Principles for price regulation have fulfilled their role in preventing excessive pricing in the past. Defining such tariff principles at the EU level is necessary in the context of ensuring harmonised universal service, as the universal service obligation contains the aspect of universally available and affordable services. However, postal regulators face difficulties in applying the tariff principle of affordability, and its relation towards cost orientation.

Therefore, additional guidance by the EU legislation would not only support the work of NRAs but could potentially avoid hardship for vulnerable consumers. There are several possible approaches to ensure affordability and not all of them require limiting prices, even though this is not sustainable from an operator's perspective. While guidance by the European Commission would not define one common solution to be applied in all Member States, such guidance might help national regulators in identifying and applying a concept that is adequate to their national situation and user needs, including e.g. offering discounted stamps for legitimate groups of users.

As regards principles for setting terminal dues, it is in the nature of terminal dues that more than one Member State is involved. Member States have not vested their postal regulatory authorities with the competence to supervise terminal dues principles. Neither have governments monitored terminal dues principles for intra-Community cross-border services themselves. If the objective is to enhance regulatory oversight on terminal dues and enforce the relevant principles, there is no doubt that the EU could add value.

5.4.4.6 Conclusions on price regulation

Effective

Price regulation has limited price increases for letter services in the past, to the benefit of small users like consumers and SMEs. In recent years, declining volumes drive unit costs, which result in price increases in many countries. EU postal regulators do not apply the principle of cost orientation in a harmonised manner.

Regulatory oversight on terminal dues is limited, or even non-existent, in the absence of a clear mandate for Member States.

Efficient

Price regulation has protected postal users within the EU from paying too much for postal services. Without price regulation, users would pay more for postal services, in particular since volumes are decreasing. Overall, benefits for users outweigh costs of price regulation.

Relevant

Against the background of letter volume declines, price regulation will maintain its relevance in the future. Protecting vulnerable users from excessive price increases will be a main task for regulators in this respect.

The relevance for ensuring compliance with terminal dues principles is increasing along with cross-border postal items shipped in the context of e-commerce. Terminal dues are in particular relevant for consumers who need access to affordable return services, and small e-retailers depending on easy and affordable solutions for selling across borders.

Coherent

The tariff regulation may lead to an increasing internal tension between the requirements of cost orientation and affordability when delivery costs increase with a decrease in traffic, and may no longer be affordable to some postal users. Such tension may be reduced with a more explicit distinction between the affordability requirement applicable to universal service and the cost orientation requirement applicable to other services, as has been done by regulations of other network industries. The tariff regulation may also be in conflict with competition law when it leads to prices which are not oriented towards costs. To reduce such tension, price regulation should alleviate competition distortions and minimise market distortions. Also, the VAT exemption may contribute to the affordability of postal tariffs.

Regarding specifically the regulation of terminal dues, some commentators have pointed in the past at possible incoherence between the Postal Services Directive rules, which require that terminal dues be set in relation to their costs, and international agreements, such as the UPU or REIMS, under which terminal dues are not necessarily set in relation to their costs. However, given the evolution of those agreements and their lack of transparency, such tensions are difficult to assess.

EU added value

Harmonising principles for price regulation has worked well in the past, and is best placed at the EU level. The EU could add value to the concept of ensuring affordability for vulnerable consumers that have limited alternatives to sending letters.

5.4.5 Level playing field and market access

The assessment of a level playing field and market access contains several aspects: first, the liberalisation of postal markets which has been one of the main objectives for European postal policy. Second, authorisation procedures determine how new players may enter postal markets. Third, competitors' market strategy is shaped by the application of non-discrimination and the related question of downstream access as well as, fourth, access to postal infrastructure elements.

Essential indicators to illustrate the development of competition within the EEA Member States and Switzerland are described in section 2.1.3.

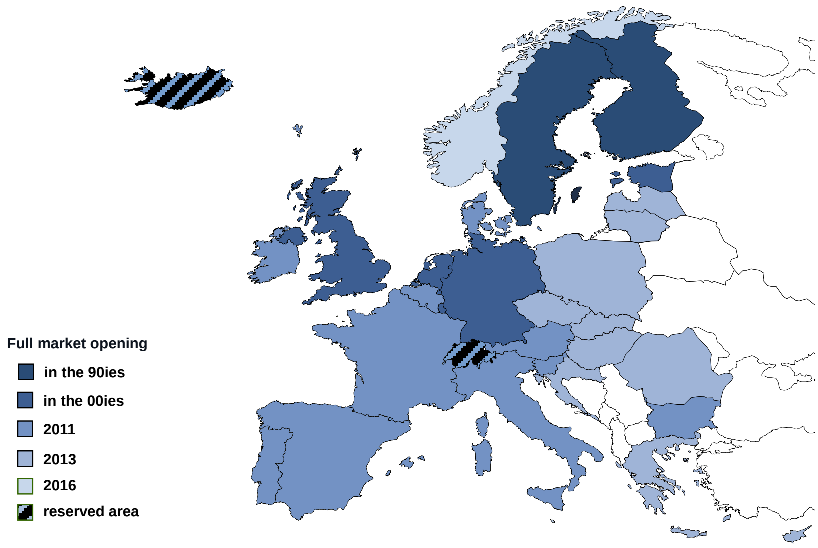
5.4.5.1 Effective

Liberalisation of postal markets

Full market opening has been a reality since 2011 for the vast majority of EU Member States. The map in Figure 88 provides an overview of market opening dates chosen by Member States. Several Member States had already opened markets earlier than 2011, with different approaches.[337] Sweden opened bulk mail services to competition already in 1993, Germany fully liberalised its postal market in 2008, having exempted services with added value from the reserved area even before 2008. Also Estonia, Finland, the Netherlands, and the United Kingdom accomplished full market opening before 2011.[338] In some countries, specific postal services had never been part of the reserved area. Spain, for example, had exempted services for intra-city delivery of postal items from the reserved area, and some Scandinavian countries did not reserve services for direct mail delivery. Croatia, having joined the EC on 1 July 2013, fully opened its postal market at the beginning of 2013.

337 See WIK-Consult (2013), Main Developments in the European Postal Sector 2010-2013, p. 33.
338 For a more detailed description of market opening strategies, see WIK-Consult (2004), Main Developments in the European Postal Sector, p. 45 ff.

Figure 88 Full market opening dates



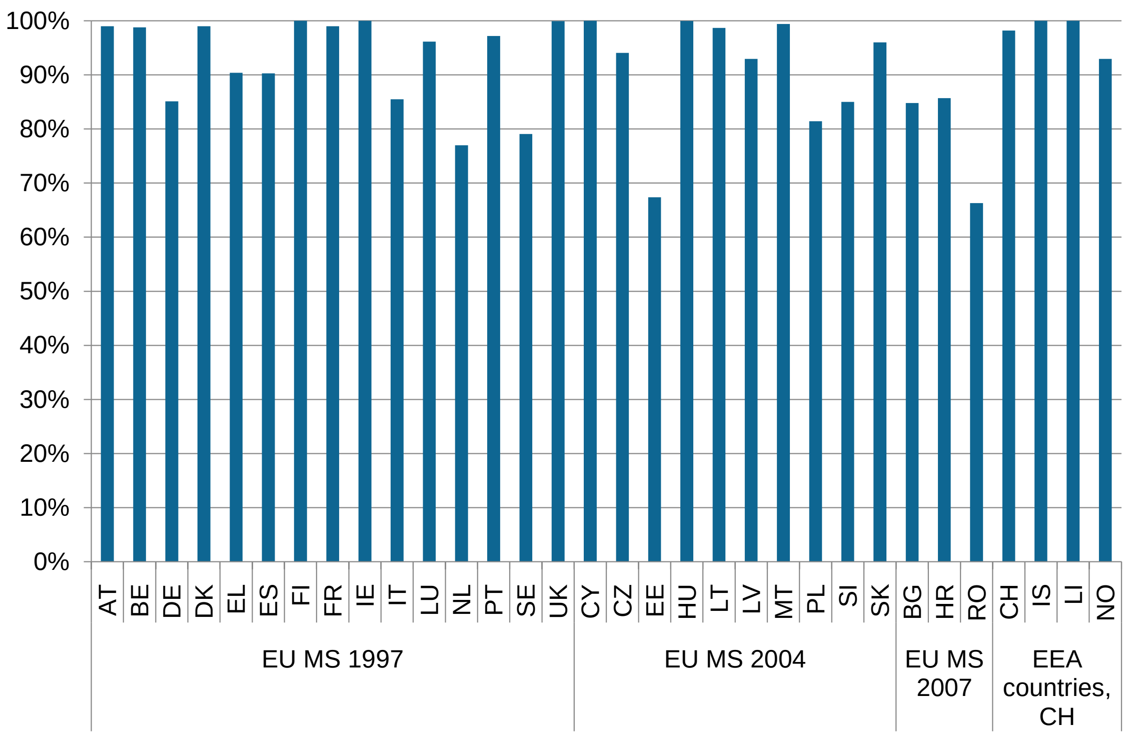
Source: WIK-Consult

The Postal Services Directive has made market liberalisation mandatory for all Member States, and also impacted market opening in the (non-EU) EEA countries and Switzerland. The 2008 amendment of the Postal Service Directive has not been transposed in IS, LI, and CH. Those three countries have not fully opened their markets and maintain a reserved area of up to 50g.

While the effect of the Postal Services Directive in shaping the regulatory framework has been clear and direct, full market opening has not resulted in effective competition in European postal markets. On the one hand, the full liberalisation of postal markets in the EU can be considered a success and a direct consequence of the Postal Service Directive. On the other hand, end-to-end competition in all Member States remains on a relatively low level, with substantial national differences as regards the competitive situation.[339] Figure 22 in section 2.1.3 illustrates that competition developed slowly and remains at a low level in most Member States (see also Figure 89). In many Member States, the incumbent postal service providers are still market dominant operators in the letter market. There are only a few countries with a competitive market share above 10% in the letter market, i.e. USP markets shares below 90%, in 2017 (see Figure 89).

339 See ERGP (2014), ERGP report on end-to-end competition and access in European postal markets.

Figure 89 USP market shares (2017)



Source: Calculation based on WIK research, NRA and USP annual reports, ERGP reports, DG GROW postal statistics, UPU statistics, Copenhagen Economics (2018), Main Developments in the Postal Sector

Table 49 Market shares in selected Member States

Country	Market share 2016 of incumbent operators
IT	93% (revenues)
PL	91 % (revenues)
EL	90 % (volumes)
SK	89 % (revenues)
ES	86.4% (volumes)
DE	85.1% (revenues)
SE	87.2% (revenues)
NL	78 % (revenues)
RO	66 % (volumes)

Notes: Market shares are based on revenues except for EL, ES, RO

Sources: DE: BNetzA (2019), Jahresbericht 2018; ES: CNMC (2018), Market analysis 2017; SE: PTS (2019), The Swedish postal market 2018; all others: Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016)

In Romania, the USP, CNPR, has the lowest market share within the EU, and it has considerably lost market share during the last decade. However, it is important to note that the market share of CNPR relates to the scope of universal services which does not include bulk mail (see section 5.4.1.1). As bulk mail typically accounts for the majority of postal volumes, it is reasonable to assume that CNPR's market share would be much higher if the total letter market was taken into account. Nevertheless, it is a remarkable development. Reasons can be found in the very low quality of service: until today, CNPR has not been able to achieve its quality targets (see section 2.1.2).

There are also other Member States where competitors have gained market shares of more than a few percentage points, but for segments of the letter market only. For example, competitors in Bulgaria and Ireland have market shares of 10% and 15%, respectively, in the single-piece letter segment; in Slovenia, downstream access competitors hand over 15% of volumes to the USP for delivery.[340] In some cases, the market shares provided above relate not only to letter services but include parcel and express (e.g. in PL).

In EU letter markets, there are both access and end-to-end competition. Access competition may exist either in addition to end-to-end competition – e.g. in Germany, Sweden and Spain; it was also the case in the UK until the only end-to-end-competitor Whistl stopped delivery operations – or as the only type of competition (e.g. in UK, France, and Slovenia). End-to-end competition has typically evolved in markets that opened up their reserved area early. The level of quality and price also played a role: where price levels were relatively high at the time of market opening (e.g. Germany), it was easy for competitors to offer a low-cost service. In countries like Poland or Croatia, the low quality of service of the USP offered competitors a chance to compete on quality.

As regards access competition, regulation of access prices and conditions is crucial. The USP is obliged by law to offer network access in 19 out of 32 countries (BE, BG, HR, CY, CZ, DE, EE, ES, EL, HU, IE, LT, MT, NL, NO, PT, RO, SI, UK) according to the ERGP.[341] Access to the incumbent's delivery network is used in practice by access seekers in BG, CZ, DE, EE, GR, HR, IE, IT, LT, MT, NL, NO, PT, SI, ES, and the UK. In most countries where legal network access exists, it is interpreted as offering bulk mail tariffs to bulk mailers, competitors or intermediaries (BE, DE, HR, FR, IE, IT, LT, NO, SI, ES, SE). Postal regulators have monitored access conditions and intervened if necessary, e.g. in UK, NO, PT, and NL.

There is a general impact of low quality by the USP on the development of competition. In countries where overall quality is low or unreliable (i.e. senders cannot rely on all of

340 See Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016).
341 See ERGP (2017), Report on recommendations and best practices in regulation for access to the postal network of the incumbent operator (in terms of competition, prices and quality of service).

their items being delivered after two or three working days), or does not meet customer demand, there is a better chance for competition to develop as competitors with better quality may provide real added value. This has been the case in Poland where Polish Post delivers around 50-70% of letters at a speed of D+1, in Italy where delivery was not reliable in rural areas, and in Greece where quality of service has been very low compared to other EU15 members. In Sweden where quality levels of the USP were excellent (around 95% of letters delivered D+1), already in the 1990s, the competitor, Bring CityMail, was successful because it introduced a new delivery option that was not offered by the USP (delivery on a specific day) but very important to customers.

Timing seems to play a role for the development of competition: where markets were liberalised in a period of increasing mail volumes, competitors were attracted more easily. With the exception of Finland, competitors in early opened markets had managed to achieve competitive market shares above 5% (end-to-end and/or access competition).[342] Today, in a period characterised by digitalisation and declining letter volumes, the economics of letter services have changed: realising economies of scale has become harder for competitors. Even in times of growing letter markets, competing postal operators have struggled to survive;[343] in declining markets, becoming profitable is even harder when competitors have to fight against the market-dominant operators at the same time. Future market entries in letter markets are reasonably not expected in large numbers, but only for market niches or at very local levels, if at all.

In parcel markets, competition is much higher than in letter markets, as there was never a reserved area for parcels. However, there are differences in the development of competition as per customer segment. Competition for business customer services had already developed before the Postal Services Directive was introduced. In the wake of e-commerce growth, operators from the B2B-segment entered into B2C service segments. There are of course significant national differences in the competitive landscape. In countries with well-developed parcel markets like the Netherlands, Sweden, Germany, and Belgium, the USPs still have quite high levels of market shares but are far from being market dominant. In many Eastern and Southern European Member States, USPs are not very successful in parcel delivery. Parcel markets with intensive competition can be found in BE, NL, DE, UK, and AT.[344]

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342 See ERGP (2014), Report on end-to-end competition and access in European postal markets, p. 4 for an overview, and Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016) for more recent market shares in those countries.

343 See e.g. the history of CityMail in Sweden. CityMail started letter delivery operations in Sweden in 1993 but was only profitable for the first time in 2004. See PTS (2008), Service and competition. Due to financial problems, the company was bought by Post Norway and renamed to Bring CityMail. CityMail was recently sold to a German investor (Cimase Capital Consult GmbH). See CityMail (2019), Hållbarhetsredovisning.

344 See WIK-Consult (2019), Development of Cross-border E-commerce through Parcel Delivery.

Research question 29:	**What are the notable barriers to market entry that remain (legal, economic, other)?**

If they exist at all, formal or legal entry barriers are quite low. In countries where new entrants have to apply for individual licenses to start postal operations (e.g. DE) or even where small operators have to pay fees if they become active (e.g. IT, EL, HU), it might be more difficult for new players to enter the market than in other countries.

From an economic perspective, the much-cited volume declines are an obstacle for new entrants that is far more significant than any formal barrier, as this development limits business options and achievable revenues. Strong economies of scale in letter delivery make it hard for entrants to achieve similar average costs as the incumbents that operate at much higher volumes.

Research question 30:	**Where (in what geographical circumstances - MSs, villages/cities - and in what services markets) is competition more likely to develop and what is its effect on the sustainability of the universal service?**

Member States in which competition has developed are very different in size, geographical specifications and density of population. There is competition both in densely populated countries like NL and DE, as well as countries with low population density like SE and PL. It should be noted, however, that competition is most likely to start in regions with high population density, as it has been observed in SE, DE, and UK. However, competitors may also broaden their activities to more rural areas. The development of the so-called ‘Mail Alliance’ network in Germany might serve as an example. The network connects 120 postal operators to a common delivery network in urban as well as rural areas.

There have been discussions about the effect on the sustainability of the universal service since liberalisation of letter markets has been initiated in the 1990s. Postal operators were worried about ‘cherry picking’, i.e. competitors would serve only densely populated areas where they would acquire so many customers and volumes that the universal service providers would not be able to remain profitable in these areas while being obliged to deliver in high-cost areas in the countryside. According to this argument, the sustainability of the universal service provision would be endangered. However, this has not happened in the past in any Member State. Rather than taking away the cherries from a cake of fixed size, competition helped to grow the cake[345] – the letter market, like in e.g. UK or DE – and has offered incentives for USPs to become more efficient, and thus contributed to guaranteeing universal service.

Senders, in particular business senders targeted by competitors, typically do not have demand for letter delivery in a specific region or city only, but to receivers situated anywhere in a country or in a wider region. To be attractive to senders, competitors had to ensure they could deliver mail not only to attractive, low-cost urban areas but also to the rest of the country – either by enlarging their delivery area, or by negotiating access conditions with the USP. Negotiated access conditions were also beneficial for the USP, otherwise they would not have agreed.

Overall, the level of competition has not had any clear effect on the sustainable provision of universal services. The recent risks for affordable and sustainable universal service provision are not triggered by competition, but are a consequence of volume declines.

Source: WIK-Consult / TÜV Rheinland (2015), Monitoring Brief- und KEP-Markt 2014; Bundesnetzagentur (2007), Elfte Marktuntersuchung für den Bereich der lizenzpflichtigen Postdienstleistungen; Postcomm (2008), Competitive market review 2008

345 See Nader, F. (2004), Mail Trends”, Pitney Bowes Background Paper “Electronic Substitution for Mail: Models and Results, Myth and Reality”.

Authorisation procedures

Available information on application of authorisation procedures stems from 2013, so the data highlighted in Table 50 might have changed in some countries. Licenses are widely applied by the majority of Member States (21 countries), either for all universal services (12 countries) or a subset of universal services (9 countries). Another ten countries require general authorisations as a much less burdensome application of authorisation procedures, while two Member States do not require authorisation at all for universal services. If postal operators provide only parcel services, they need a general authorisation in six Member States.[346]

Table 50 Authorisation procedures within USO

		Applied in (# of countries)	Applied in
License required	for all universal services	12	BG, CY, EE, EL, ES, HR, HU, IT, LU, LV, MT, PT
	for correspondence	4	BE, FI, FR, IS
	for other definition	5	AT, DE, SE, UK, NO
General authorisation		10	DK, IE, LT, LV, PL, RO, SI, SK, UK, CH
No authorisation required		2	CZ, NL

Note: No information for LI, HR

Source: based on WIK-Consult (2013), Main Developments in the Postal Sector 2010-2013

Regarding services outside the scope of the USO, 23 countries require general authorisations outside the scope of the USO; nine countries do not require any type of authorisation procedure[347]. Therefore, it appears that authorisation procedures are applied very differently. This relates to the conditions imposed on postal operators. Regulators may require that they comply with specific conditions, in order to 'guarantee compliance with the essential requirements' and to 'ensure the provision of universal service' as laid down in Art. 9 (2). Such conditions can be quite comprehensive and include, among other things, the following:[348]

- security aspects, confidentiality of correspondence and data protection
- environmental protection
- employment and social security aspects
- requirements on quality, availability and performance of services within the scope of USO

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346 See WIK (2019), Development of Cross-border E-commerce through Parcel Delivery, p. 58.
347 See Copenhagen Economics (2010), Main Developments in the European Postal Sector 2008-2010, p. 72.
348 For a comprehensive list of the conditions for authorisations which are permitted and their limitations, see WIK-Consult (2009), Role of regulators in a more competitive postal market, p. 114.

Operators are required to prove compliance with these conditions which can be a burdensome task that may, but need not, create barriers to entry. On the one hand, there were many market entries, both in letter and parcel segments, in particular in Spain, Germany and Poland where entry statistics were much higher than in other Member States.[349] This might indicate that conditions related to authorisation procedures are not a barrier for new entrants. On the other hand, there are many countries with zero market entry per year (e.g. HU, BE, BG, FI, MT), and several other with very low market entries in the past. Burdensome authorisation procedures may also play a role in this (see Case study 22). However, the Belgian case is an outstanding example of restrictive license conditions that have not been matched in other Member States.

Case study 22: Licencing in Belgium

In the case of Belgium, the postal law had defined a licensing regime that imposed far-reaching obligations on competitors regarding quality and liability, the extent of the delivery area covered, tariff structure as well as obligations on employment. The only licence holder TBC-Post, which became active in 2013, had been restricted strongly in its business models and its operations. The licensee was required to serve at least a defined share of the whole country, which increased year by year :

- year 1: 10%
- year 2: 20%
- year 3: 40%
- year 4: 60%
- year 5: 80%

These obligations were defined in the Postal Act of 21 March 1991, Art. 148 and its implementing decree, and had to be monitored and verified by the Belgian regulator. Before the obligations were abolished in 2018, the licence holder TBC-Post was compliant with all of them.

Source: BIPT (2016), Rapport du conseil de l'IBPT du 5 décembre 2016 relatif au contrôle des obligations de licence de TBC-Post trois ans après l'obtention de sa licence (21 mai 2013).

It is worth noting that there are two countries (Czech Republic and the Netherlands) which do not impose authorisation procedures on competitors and obviously do not face major problems in exercising regulatory functions or ensuring universal service provision. Against the background of low market entries in many countries and competitors backing out of letter markets, it should be discussed whether authorisation procedures are still needed.

Non-discrimination principle and downstream access

The principle of non-discrimination is a principle laid down in Art. 12 of the Postal Services Directive. While it is applicable for tariffs in general, it has specific relevance in the context of downstream access. Art. 12, fifth indent, of the Postal Services Directive

349 See recent statistics on market entries and exists in Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016), p. 80 ff. Market entry and exit figures in this study relate also to express services for some countries.

defines tariff principles for so-called special tariffs applied by USPs, '*for example for services for businesses, bulk mailers or consolidators of mail from different users*'. This provision has been applied to agreements between USPs and third parties for downstream access, i.e. services where bulk mailers or consolidators hand over pre-sorted bulk volumes to the USP at a defined access point in the postal network for delivery by the USP. While national legislation requires USPs to grant third parties downstream access in 19 out of 32 countries, access is granted, in practice, in half of the countries (16 countries, see table). Outbound or inbound mail centres are the most common access points in 13 countries, while post offices or outlets are serving as access points in five countries only (CZ, LU, NO, SI, SK).[350]

Table 51 Downstream access: requirements and practical application

		Applied in (# of countries)	Applied in
Legal requirement to grant downstream access		19	BE, BG, HR, CY, CZ, DE, EE, ES, EL, HU, IE, LT, MT, NL, NO, PT, RO, SI, UK
Access legally required to…	Universal services	16	BE, BG, HR, CY, CZ, DE, EE, ES, EL, HU, IE, MT, NO, RO, SI, UK
	Non-universal services	9	BG, CZ, IE, LT, MT, NL, NO, RO, UK
Downstream access granted in practice		16	BG, CZ, DE, EE, EL, HR, IE, LT, MT, NL, NO, PT, SE, SI, ES, UK

Source: based on ERGP (2017), Report on recommendations and best practices in regulation for access to the postal network of the incumbent operator (in terms of competition, prices and quality of service)

Non-discriminatory downstream access in practice is monitored very differently by regulators according to research by the ERGP.[351] In Ireland, there are commercial agreements in place and the regulator has not been asked to solve disputes between USP and access seekers. The Swedish USP provides access on a voluntary basis (through commercial tariffs), even though access is not required legally in SE. In Croatia, access conditions offered by the USP are not the same as special tariffs. In PT and NO, the access offer of the incumbent is currently under review by the NRA. In the Netherlands, access is mandatory due to SMP regulation.

While special tariffs had traditionally been used to grant access to business senders, competitors or consolidators at equal terms and conditions, a new interpretation of Art. 12, fifth indent, was provided by the CJEU in 2015. The CJEU clarified in its ruling

350 See ERGP (2017), Report on recommendations and best practices in regulation for access to the postal network of the incumbent operator (in terms of competition, prices and quality of service), p. 40 f. and Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016), p. 96.

351 See ERGP (2017), Report on recommendations and best practices in regulation for access to the postal network of the incumbent operator (in terms of competition, prices and quality of service).

of case C-340/13 (bpost vs. BIPT) that senders and consolidators/intermediaries are not in comparable situations.[352] The CJEU stated that quantity discounts with the objective to increase demand may be accessible only for mail volumes originating from individual senders, thus turning down the original application (and alleged intention) of Art. 12, fifth indent. The CJEU reasoned that '*senders are the only ones in a position to increase such a demand since they are responsible for originating postal items*' (CJEU case C-340/13, Recital 37). According to the court, only operational discounts shall be applicable to direct customers of the USP as well as to intermediaries consolidating mail from different senders, as it had been before.

Research question 31:	**Are transparent, non-discriminatory access conditions established in all MSs?**
In practice, intermediaries or competitors often have access by using bulk mail tariffs or negotiated commercial agreements. Although the tariff principles of transparency and non-discrimination seem to be widely ensured by national legislation (see section 5.4.4.1 on price regulation), there are several examples where either transparency or non-discrimination is under review by the NRA. As described in the section on price regulation, Swedish regulator, PTS, demanded a clearer and more transparent publication of bulk mail tariffs and conditions. The Lithuanian NRA regarded the publication of discounts as unsatisfactory and obliged the USP to comply with the requirements made by the regulator. Concerns on transparency in NL and PT led to new decisions by ACM and ANACOM regarding conditions and access prices for the USP in the respective countries. As tariff structures, service levels and contract conditions are updated to reflect market developments, there will be a need to monitor and verify the application of transparency and non-discrimination in the future.	

Source: ERGP (2018), Report on the application in access regulation of the principles of transparency, non-discrimination and proportionality as incorporated in the Postal Services Directive

After the bpost-decision (so-called per-sender case), other USPs also changed their pricing policy to make volume discounts only available to bulk mailers, and not to competitors. Examples include PostNord in SE and PostNL. Table 52 highlights how non-discrimination is defined in national legislations.

352 See CJEU (2015), Arrêt de la cour (deuxième chambre) du 11 février 2015, C-340/13.

Table 52 Definition of non-discrimination

Non-discrimination		
Non-discrimination defined at all?	BG, HR, CZ, EE, FR, DE, EL, HU, IE, IT, LV, LI, LT, MT, NO, PL, PT, RO, ES, SK, SI, CH, SE, UK	24
Non-discrimination: Tariffs and applicable discounts should be offered on the same basis to all postal users, discounts can be offered on a per-sender basis	BG, EL, LI	3
Non-discrimination: Tariffs and applicable discounts should be offered on the same basis to all postal service users under similar conditions	HR, MT, NO	3
Non-discrimination: Tariffs and applicable discounts should be offered on the same basis to all postal users	CZ, DE, IE, IT, LV, LT, RO, SK, SI, ES	10
Non-discrimination: required without formal definition	HU, PL, PT, SE	4
Non-discrimination: NA	AT, BE, CY, DK, FI, IS, LU, NL	8

Source: Copenhagen Economics (2018), Main Developments in the Postal Sector (2013-2016)

Where downstream access had been granted equally to senders in the past, i.e. competitors and consolidators, postal users have benefited from lower prices and easier access to postal services. The application of per-sender-discounts limits consolidators' or competitors' opportunities to benefit from economies of scale, and thus limits positive impacts for postal users. Even though the CJEU decision created a new legal interpretation which has to be respected in practice, it should be noted that it effectively hinders the development of a level playing field. It seems surprising, from an economic point of view, that bulk mailers should be the only ones allowed to increase volumes. Contrary to this assumption, practical experience with consolidators and intermediaries in different postal markets, such as Belgium, Sweden, Germany, or UK, has shown that these competitive actors play an important role in sales and marketing for postal services. Typically, USPs are large companies and focus more on their key account customers than on the many small and medium-sized companies with relatively small volumes. By contrast, consolidators, intermediaries and competitors are small and medium-sized companies themselves and, therefore, focus more on this customer segment. They are better placed to consult and recommend different mail products for specific industries and communication purposes. Small postal users value the services provided by intermediaries as they often find it difficult to understand the USP's tariff structures and related conditions for business customer services. Competitors are good at improving their customers' understanding of services offered by the USP and recommending products that best suit their specific needs. Competing operators are therefore able to enhance mail volumes as well as business mailers themselves.

Research question 32:	**Are quality of service requirements impacting competition, cross-border trade and investments?**

In the process of opening postal markets up to 2007, competing postal operators in Germany were allowed to provide letter services without weight limits, on condition their services were distinct from those of the incumbent operator Deutsche Post in terms of quality. Services had to be either delivered overnight with guaranteed next-day delivery, delivered on the same day, delivered on a fixed day, include tracking, or be offered as an integrated letter logistics concept. This market opening niche based on quality was used by many competitors and is one of the reasons why competitors have been relatively successful in Germany. Today, the majority of competitors in Germany offers D+2 services.

Relevant services for fulfilment of cross-border trade are mainly parcel services and specific letter services containing goods from e-retailers sending postal items in bulk quantities. These are not within the scope of the universal service in an increasing number of countries and therefore not subject to transit time goals on the European level. Although the Postal Services Directive phrases transit time requirements to apply to cross-border *mail* rather than letters, the EC has never enforced transit time performance monitoring for parcel services.

Overall, it appears very unlikely that regulatory requirements for quality of service have had any positive impact on competition, trade or investment.

Source: Bundesnetzagentur (2007), Elfte Marktuntersuchung für den Bereich der lizenzpflichtigen Postdienstleistungen

Research question 33:	**What are the reasons that make competitors leave postal markets in certain MSs (public procurement, consumer lock-in etc.)?**

There are many examples of competitors that have not been able to remain profitable in the long term – or would have never been able to survive in the market without financial backing by their owners. Known examples are CityMail in Sweden, Whistl in the UK, PIN in DE, and Sandd in NL. Financial problems faced by these competitors have been the combined effect of volume declines and difficulties in winning market shares against a dominant operator.

When volumes decline, nearly all senders in a market mail less, rather than some senders stop using mail and others keeping their volumes stable. This means that postal operators have to focus more on sales to acquire the same mail volumes as before. Receivers also receive less mail while delivery staff has to make its rounds to every street, as it is rare that there is no mail for all inhabitants in a specific street. This makes it more difficult to realise economies of scale which is a necessity for a postal business to be profitable. While incumbent operators suffer from lower scale economies, the effect can be devastating for competitors with much lower mail volumes.

In fully competitive markets, economic theory states that inefficient providers would be forced to leave the market. In practice, postal markets have competitive fringes only. For competitors, survival is not (only) a question of efficiency. They face market dominant operators which are equipped with much higher bargaining power, sufficient financial means to take competitors to court, or set strategic prices (for non-universal services). In the long run, very few competitors appear able to cope with this double strain.

Research question 34:	Are there international postal operators active in more than one Member State on a segment covered by the USO (letters) or non-covered by the USO (Parcel, express)? Is this an effect of the Postal Services Directive?

In particular the market for express services is characterised by the presence of international integrators like UPS, FedEx, and DHL which operate globally. With a focus on the European single market, there are several more international parcel operators owned by national postal operators: the French-based DPD network is owned by La Poste, GLS is an offspring of UK's Royal Mail, and DHL's European parcel network is part of the Deutsche Post group. In case of express integrators, these networks existed already before the Postal Services Directive was introduced. The intensifying international activities of parcel operators are driven by e-commerce and cross-border trade, not by the Postal Services Directive.

In letter services, several national postal operators have found themselves in the Janus-faced role of fighting competition on their domestic markets while acting as competitors in letter delivery abroad. Examples are PostNL (PostCon in DE, Nexive in IT), Deutsche Post (Selektmail in NL, Unipost in ES) or Post Norway (Bring CityMail in SE). Insofar as the Postal Services Directive has enabled access to markets abroad, this has been an effect of the Postal Services Directive. For national universal service providers, expanding their activities abroad might have been an effort to compensate for revenues lost to competition in their home markets. As the incumbent operators where both equipped with financial resources as well as knowledge on letter operations, it was easier for them to become active in other countries than for new market entrants without roots in the postal sector. However, most EU incumbents have now divested their foreign mail operations.

Research question 35:	How does the different transposition of article 9 of the Postal Services Directive impact cross-border trade and establishment in the MSs? Map different transposition options.

There are no postal operators which regularly provide delivery services in other countries. It is a common practice among postal operators to establish national societies for each country in which an operator is active. This is quite surprising as the single European market would allow postal service providers to start a business in a different country than the one in which it originates. This brings about the need to apply for new authorisations each time an operator expands its activities to new countries within the Single Market. To reduce the administrative load for operators and regulators, mutual recognition of authorisation procedures may be considered.

Research question 36:	What do regulators do to stimulate competition, is competition one of their priorities in postal services?

Stimulating or fostering competition is not as such an objective of the Postal Services Directive that puts a strong emphasis on ensuring universal service in a liberalised market. In transposing the Postal Services Directive, some Member States have defined the purpose of their postal law or competence of the postal regulator to include, among others, the promotion of effective competition (e.g. UK, DE). Most Member States did not include the promotion of competition in their postal regulation. These regulators are bound to the competence determined by national and European law and therefore do not have the power(s) to stimulate competition. Even in the UK and Germany, effective competition has not developed until today.

There is not a single measure that would allow regulators to trigger competition, and it is not a technical question either. With each regulatory decision, NRAs have to balance interests of different stakeholders, and their decisions need to be within the boundaries set by national legislation.

Research question 37:	In light of the changes in users' needs and the market, is the scope of the 'postal' still appropriate? What about the definitions? What should determine what is postal and what not, weight, purpose, capillarity of the network or other aspects?

Postal markets are developing dynamically: not only are there many innovations in delivery of e-commerce orders like same-day delivery from local stores or drone/robot delivery, but there are also letter services for which boundaries towards digital communication are becoming blurred. To take account of these and also future market developments, it seems necessary to have a clear definition for postal services in place.

The current definition enables for most cases to distinguish between postal services and others. However, there might be cases where this is not sufficient, for example, local direct courier services and deliveries of e-commerce orders from local stores or restaurants. An option would be to include processing postal items at least at one hub/sorting centre.

Postal operators, both USPs and competitors, offer more and more products defined by content. It does not seem necessary to define the content of postal items at the level of the Postal Services Directive. The decision how and whether to regulate such (new) products needs to be taken at the national level.

The Postal Services Directive definition for items of correspondence should be deleted. There is no relevance for it since markets are fully liberalised.

Access to postal infrastructure

Since the 2008 amendment, Member States need to ensure that transparent, non-discriminatory access conditions are available to elements of postal infrastructure or services provided within the scope of the universal service, whenever it is necessary to protect the interest of users and/or to promote effective competition. This is specified in Art. 11a of the Postal Services Directive. National transpositions of this access to postal infrastructure vary strongly (see Table 53) and 10 out of 32 countries appear not to have transposed Art. 11a.

Table 53 Access to postal infrastructure elements

Access to postal infrastructure elements in	Number of countries	Countries
Post codes	22	AT, BE, HR, CZ, DK, EE, FI , FR, EL, HU, IE, LT, LU, MT, NL, NO, PL, PT, RO, SK, SI, SE
Address database	18	AT, BE, HR, CY, CZ, DK, FR, DE, EL, IE, LU, NL, NO, PL, PT, SI, CH, UK
Public letter-post collection boxes	4	BE, IE, IT, SK
Post office boxes	20	BE, CY, CZ, DK, EE, FR, DE, EL, IE, IT, LT, LU, MT, NL, NO, PL, PT, SI, SE, CH
Parcel lockers	1	DK
Letter delivery boxes	16	AT, BE, BG, CY, CZ, DK, FR, DE, HU, IE, LV, LT, LU, PL, PT, SK
Redirection and return service	11	BE, HR, CZ, EE, EL, LT, LU, NL, NO, PT, SK

Source: Copenhagen Economics (2018), Main developments in the postal sector (2013-2016)

The element of postal infrastructure to which access is most commonly provided is the post code system which is accessible to interested parties in 22 out of 32 countries. Other relatively common elements of postal services include access to post office boxes, address databases, and letter delivery boxes. Parcel lockers appear to only be available in Denmark, while access to public letter-post collection boxes are only provided in four countries (BE, IE, IT, SK). Belgium offers the most comprehensive access to postal infrastructure or services, providing six of the seven elements listed in the table above, i.e. all elements excluding parcel lockers. Parcels lockers are a new element of postal infrastructure and were not commonly provided by USPs when Art. 11a was introduced in the 2008 amendment of the Postal Services Directive.

In practice, there are only a few users with access to postal infrastructure according to interviews conducted for this study. The reasons are manifold: high prices and/or complicated access procedures limit the benefit for access seekers. For example, it seems natural that competitors want to access letter boxes of receivers, and in case receivers have a P.O. box, want to deliver to this box as well. In Austria, letterboxes for apartment houses in urban areas are traditionally situated behind the main entrance to the building and did not have a slot. Instead, a special key was needed that was available only to the receiver and the USP. After long and complicated legal proceedings in courts at all levels, a court decision in 2012 clarified that letterboxes had to be designed in such a way to be accessible for all postal operators.[353] However, the issue remains that letterboxes are situated behind the building entrance and are thus

353 See WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013), p. 47.

not easily accessible to competitors that do not have keys to this entrance (while Austria Post has).[354] Another example is Germany where the ex-ante regulated price for access to post office boxes is quite high (3.7 Cents per item, an additional fee of EUR 1 for accessing each P.O. box site applies).[355] Many competitors therefore reject delivering letters to post office boxes although their access is ensured by law and the access price is regulated by the NRA.

5.4.5.2 Efficient

Ensuring a level playing field and accessible markets create costs and benefits that are listed in Table 54. On the cost side, there are administrative costs for regulators which monitor liberalisation and market development, verify and regulate downstream access as well as access to infrastructure elements, manage authorisation procedures, and control compliance with the relevant conditions. These administrative costs account for, on average, 15% of postal regulators' budgets. For USPs and other postal operators, administrative costs consist mainly of complying with authorisation requirements.

Table 54 Costs and benefits of ensuring level playing field and market access

Level playing field and market access	
Costs	Administrative costs for regulators: monitor FMO, ensure downstream and network access, authorisation procedures (% of level playing field and market access)
	Administrative costs for USPs
	Administrative costs for other operators
Benefits	For postal users: enhanced choice of operator and services, innovation, lower prices
	For other operators: improved market access to letter markets

Source: WIK-Consult

Costs

The administrative costs of regulators amount to EUR 7.2 million for all 32 countries (see Table 55).

354 This was confirmed by Austrian stakeholders in interviews for this study.
355 See BNetzA (2018), Jahresbericht 2018, p. 106.

Table 55 Administrative costs of regulators: level playing field and market access (2017/2018)

Countries	Total regulator budget	Costs per capita
EEA, CH	EUR 7.2 million	EUR 0.01
EU-28	EUR 6.8 million	EUR 0.01

Source: WIK estimate based on NRA survey

Benefits

On the benefit side, the most important benefits are created by liberalisation of letter markets and ensuring a level playing field. Letter markets are open for new entrants, enabling them to enter business areas that had been foreclosed before. This enhances business options for other players and stimulates innovation. Innovative operators are able to offer services that distinguish them from their competitors. There are numerous examples in letter markets where competitors have introduced new products rather than copied the product portfolio of the incumbent (e.g. CityMail in SE offered delivery on specific days; competitors in DE in the early 2000s offered tracked letter delivery). Naturally, this pressure from competitors also has an impact on the USP: pressure to become more efficient, improve operations to provide higher quality, and develop innovations themselves.

Users benefit from more choices in terms of operators and services. Where there is competition, albeit only in specific regions or for some customer groups, users have more choice between postal products with different service levels and quality and/or access to lower prices.

Comparing costs and benefits

The administrative costs of regulators per capita amount to EUR 0.01 on average. The costs for USPs due to establishing a level playing field and market access are a fraction of the administrative costs for USPs identified in section 5.4.1.2. On the benefit side, it is not possible to quantify the impact of liberalisation, innovation and enhanced choice. Nonetheless, it is clear that postal markets would be completely different if the European Commission would not have driven and enforced full market opening through the Postal Services Directive. Although hypothetical, it is reasonable to assume that many USPs would still be loss-making postal administrations with a low degree of innovation and customer orientation. The significance of liberalisation and ensuring a level playing field for transforming postal markets should not be underestimated. Against this background, our overall assessment is that such benefits clearly outweigh the costs.

5.4.5.3 Relevant

In the past, relevance was clearly given by the liberalisation that was triggered by the Postal Services Directive . Letter markets were made accessible to competition which created benefits for users and enhanced the overall efficiency of the postal sector.

Today, it remains an important task to ensure a level playing field for all postal operators. Postal markets are characterised by very low levels of competition in letter segments while parcel markets are generally more competitive. In particular, declining letter volumes may result in struggles for remaining volumes, and Member States need to ensure that competitors are not discriminated in obtaining downstream access or access to the postal infrastructure of the incumbent operator. There are a few examples of competitors that have withdrawn from letter markets or were unsuccessful in a declining market (e.g. Unipost in Spain, Whistl in the UK, Sandd in the Netherlands). These cases illustrate the risk of volume declines for competitors: while a designated USP will also be affected by declines and face financial trouble, the company will not disappear from the market – it is just too big to fail. In addition, many USPs are still partly or wholly owned by the State which has an interest to take care for its investment. Therefore, a competitor without such backing might have no other option than to give up. Thus, for the future, it will be a challenge to ensure that the Postal Services Directive objective of a level playing field is applied in all Member States.

5.4.5.4 Coherent

Article 7(1) of the Postal Services Directive which prohibits Member States to grant or maintain exclusive or special rights is coherent with **Article 106 TFEU** which, as interpreted by the Court of Justice in *Corbeau*, only allows the granting of exclusive or special rights when necessary to ensure the performance of the Service of General Economic Interest.[356] In addition, Articles 9-10 of the Postal Services Directive setting the legal conditions to provide postal services are coherent with Article 106 TFEU as they reduce legal entry barriers as much as possible. These articles are also coherent with the EU four freedoms of movement which aim at supporting cross-countries provision of services and establishment.[357]

356 Case C-320/91 *Corbeau*, EU:C:1993:198, para 14: '(Article 106 TFEU) *permits the Member States to confer on undertakings to which they entrust the operation of services of general economic interest, exclusive rights which may hinder the application of the rules of the Treaty on competition in so far as restrictions on competition, or even the exclusion of all competition, by other economic operators are necessary to ensure the performance of the particular tasks assigned to the undertakings possessed of the exclusive rights'*.

357 It is interesting to note that the EU laws in most of the network industries also strictly constrain the discretion of the Member States to impose legal barriers to entry. For instance, the previous electronic communications regulatory framework and the recently adopted European Electronic Communications Code favours the regime of general authorisations (EECC, Arts. 12-16), and only allows the Member State to impose individual licences when the electronic communications provider wants to use scarce resources, such as right of way, spectrum or numbers (EECC, Articles 43-44 for access to land, The Postal Services Directive is also coherent with **EU competition law** when it ensures a level playing field between all postal operators in two ways. On the one hand, the Postal Services Directive ensures that the previous monopolist does not benefit from unfair legal advantages. This is coherent with the EU State aid rules which prohibit, in principle, public compensation which would favour one firm over its competitors. This is also coherent with Article 102 TFEU which prohibits anti-competitive cross-subsidisation from one market where a firm enjoys exclusive or special rights (such as letter markets before full liberalisation) to another market where this firm competes with other firms (such as express services).[358] On the other hand, the Postal Services Directive ensures that the previous monopolist, when it is providing the postal universal service – which is often the case – should not suffer an unfair competitive disadvantage. Therefore, it may be compensated for any unfair net cost incurred by the provision of the universal service. This is also coherent with the EU framework for State aid in the form of public service compensation as explained above in section 5.4.1.4.

However, some EU horizontal rules applicable in the postal sector contain exceptions that may lead to legal and competitive advantages for the provider of universal service as defined by the Postal Services Directive. In particular, the Article 132(1a) of the **Directive of a common system for VAT** provides a VAT exemption for: "*the supply by the public postal services of services other than passenger transport and telecommunications services, and the supply of goods incidental thereto*"[359] and Article 135(1h) of the same Directive provides a VAT exemption for "*the supply at face value of postage stamps valid for use for postal services within their respective territory, fiscal stamps and other similar stamps*".

In interpreting this exemption, the Court of Justice decided that "*the difference between public postal services and other operators depends not on the nature of the services provided but on the fact that the operators who provide part or all of the universal postal service are subject to a special legal regime with specific obligations*".[360] According to the Court, the universal service provider supplies postal services under a legal regime that is substantially different to that under which the other postal operators provide such services.[361] The Court of Justice also decided that the: "*VAT exemption applies to the supply by the public postal services acting as such – that is, in their capacity as an operator who undertakes to provide all or part of the universal postal service in a*

Articles 45-52 for access to spectrum and Articles 93-97 for access to numbers). In those cases, the Code strictly constrains the discretion of the Member States to ensure that those licences are granted in a non-discriminatory manner and that their conditions are proportionate and ensure an efficient use of the scarce resources.

358 Commission Decision of 20 March 2001, COMP 35.141 *Deutsche Post*, OJ (2001) L 125/27.

359 Council Directive 2006/112 of 28 November 2006 on the common system of value added tax OJ [2006] L 347/1 as amended.

360 Case C-114/14 *Commission v. Sweden*, EU:C:2015:249, para.33.

361 Case C-357/07 *TNT Post v. Commissioners for Her Majesty's Revenue and Customs*, EU:C:2009:248, paras 37-39.

Member State – of services other than passenger transport and telecommunications services, and the supply of goods incidental thereto. It does not apply to supplies of services or of goods incidental thereto for which the terms have been individually negotiated".[362] This VAT exemption may create an unfair competitive advantage for the providers of universal service if the benefit of this exemption is not factored into the cost/benefit calculation of the provision of the universal service.[363] Thus, it is important that the Postal Services Directive and the VAT Directives are interpreted coherently and do not create an unfair competitive advantage for the provider of the universal service.

In a similar vein, Article 13(1d) of the **Regulation harmonising certain social legislation relating to road transport** provides an exemption for the vehicle used by the postal universal service provider to deliver postal items as part of the universal service.[364] Mindful about the risks for competition and for road safety of a broad interpretation of this exemption, the Court of Justice gave a strict interpretation and decided that the exemption "*covers only vehicles or combinations of vehicles that are used exclusively, during a particular transport operation, for the purpose of delivering items as part of the universal postal service*"[365] and does not cover the transport of "*item with added value, that is an item with an add-on service*".[366] Here again, the Postal Services Directive and the Regulation on social legislation in road transport are not per se incoherent but it is important that both legislations are interpreted and transposed coherently on the national level and do not create an unfair competitive advantage for the provider of the universal service. The interpretation provided by the CJEU has substantially contributed to this.

Another exclusion in EU horizontal rules is foreseen in Article 3(g) of the **Payment Service Directive** which provides that the obligations of the Directive do not apply to payment transactions based on '*paper-based postal money orders as defined by the Universal Postal Union*'.[367] Since the Postal Services Directive is silent on postal money orders, there are no issues with coherence in relation to the Payment Services Directive.

362 *Ibidem*, para.49.

363 Moreover, in a recent case, the Court of Justice decided that the Portuguese postal operator CTT could adjust its VAT calculations after having been ceased to be VAT-exempt following the liberalisation of the postal market in Portugal. This is because it was acting in good faith when initially treating the bill payment services as VAT-exempt and because the change in the deduction method brought about a more accurate calculation of the proportion of transactions on which VAT was deductible: Case C-661/18 CCT v. Autoridade Tributária e Aduaneira, ECLI:EU:C:2020:335.

364 Regulation 561/2006 of the European Parliament and of the Council of 15 March 2006 on the harmonisation of certain social legislation relating to road transport and amending Council Regulations 3821/85 and 2135/98 and repealing Council Regulation 3820/85, OJ [2006] L 102/1.

365 Joined Cases C-203/18 et C-374/18 *Deutsche Post et al. v. Nordrhein-Westfalen et al*., EU:C:2019:999, para.60.

366 *Ibidem*, para.65.

367 Directive 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, OJ [2015] L 337/3.

In the **Union Customs Code**,[368] some exemptions are provided for the postal items carried by the designated postal operators, in particular regarding the information being provided, the way the declaration should be done (in electronic form or not), and liability for misrepresentation. As in the examples mentioned above, the application and interpretation of those exemptions may distort the level playing field between postal operators contrary to the objectives regarding full liberalisation and effective and non-distorted competition of the Postal Services Directive. These exemptions are expected to end in 2021. By 2021, therefore, the tension that currently exists between simplified rules for one set of postal operators (those designated by member countries at the UPU), and the rules of the Postal Services Directive to ensure a level-playing field will cease to exist.

Articles 11 and 11a of the Postal Services Directive aim to reduce economic entry barriers and to ensure access to the postal network under conditions that are transparent and non-discriminatory. Those obligations are coherent with the access obligations that may be imposed under **EU competition law** (in particular Article 102 TFEU), i.e. the so-called essential facilities doctrine.[369] However, the Postal Services Directive goes further than competition law as the access seeker does not have to prove that the postal network is an essential facility to get access to.[370] In this context, an important obligation relates to non-discrimination. Those obligations are coherent and complement Article 102(c) TFEU which prohibits discriminatory practices that hinder the competitive position of some business partners of the dominant undertaking in relation to others [371]

On the specific access obligation imposed by Article 11a of the Postal Services Directive related to the address database, the address of a natural personal would be considered as personal data according to the **GDPR**[372]. Access to the addresses of natural persons should comply with the conditions and the principles of the GDPR and

368 Regulation 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code, OJ [2013] L 269/1 as amended.

369 Guidance of 3 December 2008 on the Commission's Enforcement Priorities in Applying Articles [102 TFUE] to Abusive Exclusionary Conduct by Dominant Undertakings O.J. [2009] C 45/7, para.81 listing the three main conditions of an essential facility: (i) the refusal relates to a product or service that is objectively necessary to be able to compete effectively on a downstream market; (ii) the refusal is likely to lead to the elimination of effective competition on the downstream market, and (iii) the refusal is likely to lead to consumer harm.

370 Such complementary access obligations can also be found in the regulation of other network industries. See for instance, the European Electronic Communications Code imposes very extensive and comprehensive regime of symmetric (EECC, art. 61) and asymmetric/Significant Market Power access obligations (EECC, art.63-80) to ensure that new entrants have access to parts of the network that are not easily technically or economically duplicable.

371 C-95/04 P, *British Airways v. Commission*, EU:C:2007:166, paras. 144-145; C-525/16 *MEO – Serviços de Comunicações e Multimédia v. Autoridade da Concorrência,* EU:C:2018:270, paras 25-27.

372 GDPR, art. 4(1) defines personal data as '*any information relating to an identified or identifiable natural person ('data subject'); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person*'.

this may lead to tension between the objective of ensuring a level playing field pursued by the Postal Services Directive and the objective of protecting privacy pursued by the GDPR.

5.4.5.5 EU added value

Before the Postal Services Directive was introduced, competition in letter markets only existed in a few countries within the EU. The process towards full market opening would not have happened at the pace defined by the Postal Services Directive and its two amendments. It is even doubtful whether Member States would have opened markets completely at all.

Today, as full market opening has been accomplished, there is added value for the EU in ensuring that a level playing field is maintained. An important aspect in this regard is enabling similar conditions for market access by competing postal operators in Member States. Both harmonised authorisation procedures and access to the postal network, including infrastructure elements, play a significant role in this context.

Research question 38:	**Are there correlations between the level and type of competition in a certain market and the demand of postal services or other parameters such as price and QoS?**
It is very difficult to exactly prove such correlations. Based on our experience in postal markets, both for letter and parcel services, competition has had positive impacts on market development in general. In markets with competitive pressures, there are, by trend, higher volumes as well as more innovation and high-quality services available than in markets without such pressures. Also, price levels are lower. These findings are in line with economic theory.	

Research question 39:	**How is competition in the postal sector affected by the various regulatory measures (designation, VAT exemption, price regulation, quality requirements)?**
While regulatory conditions in postal markets are also an important factor, market conditions play a crucial role for potential market entrants. Competitive entry is more likely to develop if the incumbent has either high prices or low quality, or both. However, it is impossible to determine or even estimate the impact of single regulatory measures on the level of competition that has evolved in practice.	

Research question 40:	**What are the effects of the GA and licensing regimes in place in MSs on competition?**
While we think GA and licensing systems in some Member States are unnecessarily burdensome for postal operators, we do not believe this has seriously restricted competition in any Member State.	

Research question 41:	**What information are Member States collecting, is it enough for EU regulation, how much does it cost to collect and process?**
There are no available information on the amount and type of information collected by national regulators, only on what is published by regulators. Published information on postal and neighbouring markets will be only a small part of the information collected by regulators. Therefore, this question should be answered by the ERGP.	

Research question 42:	**Should there be more EU harmonisation in terms of information requirements?**
In the context of changing postal markets, in particular volume declines in letter markets and innovative development of parcel markets, the Postal Services Directive should encourage market observation by postal regulators. Harmonisation of information collected seems useful in order to allow for comparisons as already carried out by the ERGP.	

Research question 43:	**What's the administrative burden on SME's? Is it aligned to other reporting requirements?**
We are not aware there is any estimation of the administrative burden on SMEs. However, according to our knowledge, administrative burden has not been presented as a major issue by trade associations for the postal sector, including burden for new entrants.	

5.4.5.6 Conclusions on level playing field and market access

Effective

Full market opening was initiated by the Postal Services Directive and achieved in all EU members as well as Norway. Although competition has developed slowly and the level of competition on letter markets is limited, this appears to be the maximum that could have reasonably been achieved. The traditional dominant market position of incumbent postal operators is hard to overcome. The most important reasons for this development are substantial economies of scale and scope and strong volume declines in the recent past.

Efficient

There are huge benefits of liberalisation and competition in letter markets that outweigh costs by far. Even where competition has not developed yet, there is a threat of competitive entry which has some limiting effect on market dominant providers. Benefits could be improved if it was possible to increase the competitive level, but this seems unrealistic in the present market environment.

Relevant

In the past, the relevance of the Postal Services Directive was obvious as letter markets were reserved for state-owned postal administrations. Today and in the future, it will be important to ensure there is a level playing field even in a context of shrinking markets. Otherwise, there is a risk that competitors might withdraw from letter markets which would further reduce competition.

Coherent

Article 7(1) and Articles 9-10 of the Postal Services Directive setting the legal conditions for providing postal services are coherent with EU competition law, in particular Article 106 TFEU and the EU four freedoms of movement which aim at reducing legal entry barriers and favour the cross-country provision of services and establishment.

The Postal Services Directive also aims to ensure a level playing field between all postal operators and ensure that the previous monopolists do not benefit from unfair legal advantage. However, some EU horizontal rules applicable in the postal sector (such as the rules on VAT or on the conditions for road transport) contain exceptions that may lead to competitive advantages for the provider of universal service as defined by the Postal Services Directive. It is thus important that the Postal Services Directive and those EU horizontal rules are interpreted coherently and do not create an unfair competitive advantage for the provider of the universal service.

Articles 11 and 11a of the Postal Services Directive aim to reduce economic entry barriers and ensure access to the postal network under conditions that are transparent and non-discriminatory. Those obligations are coherent with EU competition law and goes further. Those access obligations should also comply with other EU laws, such as the GDPR, when access to personal data is involved.

EU added value

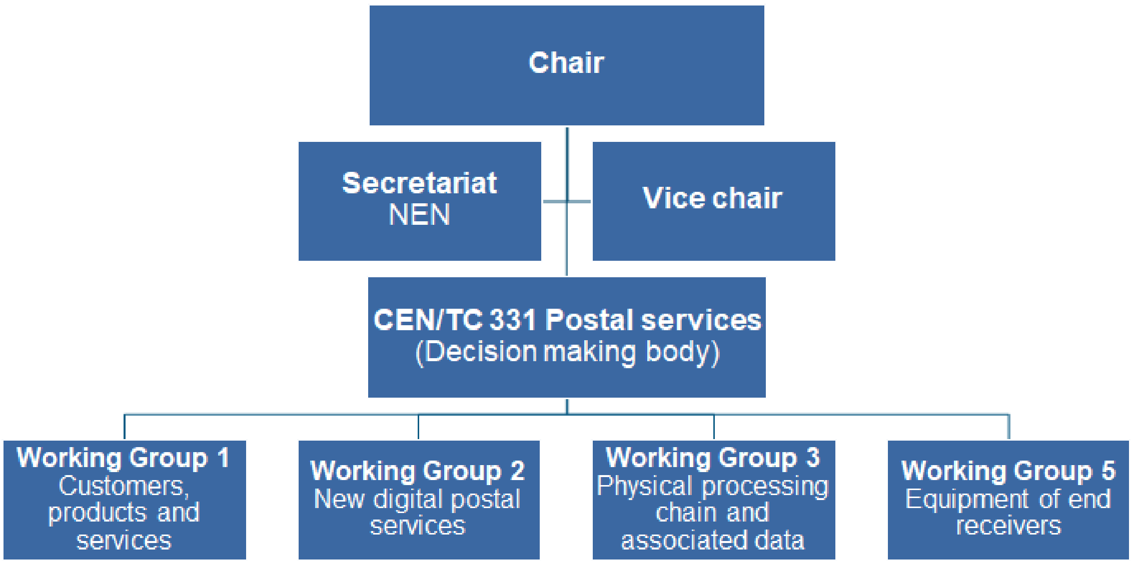
Liberalisation of postal markets has been discussed during a lengthy process that was initiated at the European level. Member States had many concerns on the impact of liberalisation on universal service provision, quality and employment in the sector. It is very doubtful that Member States would have overcome these concerns without the guidance of the Postal Services Directive. Today, competition in letter markets remains at a low level, and it will be important to have harmonised rules on the EU level to ensure that all Member States have a common understanding of how to ensure a level playing field.

5.4.6 Harmonising technical standards

5.4.6.1 Effective

The European Committee for Standardisation (CEN) has been entrusted with drawing up technical standards applicable in the postal sector, as required by Art. 20 of the Postal Services Directive. The TC 331 is one of the 398 technical committees within CEN. It deals with the development and harmonisation of European standards relevant for postal services, according to Art. 20 of the Postal Services Directive. The TC 331 has four working groups that develop new or revise existing standards, and deal with different aspects of postal services (see Figure 90).

Figure 90 Organisation of CEN TC 331 and participating countries



Source: based on CEN (2018), CEN/TC 331 Business Plan

Article 20 requires that the harmonisation of technical standards shall take into account the interest of users. This is ensured by enabling all kinds of postal stakeholders to participate in TC 331 working groups. In addition to USPs and other postal operators, members of the working groups come from different stakeholder groups and industries, including postal users and their associations, suppliers of postal technology, packaging industry representatives, national regulatory, customs and tax authorities. In practice, not all European USPs are represented in TC 331 working groups. Smaller operators are less active than USPs from large countries.

Development of new standards may be proposed by participants of the working groups. In that case, a new work item project is drafted and the TC 331 plenary votes on it at its biannual meetings. If at least five active members of a working group support the new work item, TC 331 will take up working on the standard. Table 56 shows which standards TC 331 is currently working on.[373]

Table 56 Work plan of TC 331: standards currently developed

Project / reference	Title	Initial year	Status	Voting year (expected)
CEN/TR 17386:2019 (WI=00331123)	Postal services - Transit time measurement for cross border postal items using real mail feasibility study	2019	Approved	
FprEN 14012 (WI=00331120)	Postal services - Quality of service - Complaints handling principles	2018	Under Approval	2019
prEN 13850 (WI=00331121)	Postal services - Quality of services - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail	2018	Under Approval	2020
(WI=00331112)	Feasibility study to explore the use of real mail data in measurement of the transit time of end-to-end services for single piece cross-border priority mail		Preliminary	
(WI=00331116)	Requirements for electronic advanced data (EDA) in postal operations, in particular compliant to security and customs requirements		Preliminary	
(WI=00331115)	Requirements to connect, access, participate and further develop open global networks and systems, for postal operators and the wider postal sector players		Preliminary	
(WI=00331111)	Postal services - Postal drone delivery services		Preliminary	
FprCEN/TS 15130 (WI=00331119)	Postal services - DPM infrastructure - Messages supporting DPM applications	2018	Under Approval	
FprCEN/TS 17073 (WI=00331117)	Postal services - Interfaces for cross border parcels	2018	Under Approval	
(WI=00331118)	Postal services – Packaging for boxable items	2018	Under Drafting	
(WI=00331122)	Small packages using a reduced label size and contents		Preliminary	
prCEN/TS(WI=00331114)	Postal services - Digital, optional online connected, opening and closing systems for parcel receptacles for home use with free access for the delivery and collection operators and consumers	2019	Under Drafting	

WI = Working item / EN = European norm / TS = technical standard / TR = technical report

Source: TC 331 [as of July 2019]

In order to achieve the Postal Services Directive objective to harmonise technical standards, TC 331 seeks to enhance and facilitate inter-operability of postal services in

373 The difference between types of standards (EN, TR, TS) is in the impact on national standards. Member States have to withdraw conflicting national standards if a European norm is approved, TS and TR are non-binding. TS are standards with a limited duration and are easier to revise if need be. Recently, the TC 331 has chosen in several cases to develop TS rather than EN to take account of dynamic market developments and enable swift revision if practical problems occur.

different Member States by developing standards. TC 331 was established as a direct consequence of the Postal Services Directive, and published its first standard in 2002 (a full list of standards is provided in Annex 2: List of published standards by TC 331). Since 2002, TC 331 has developed and published 43 standards of which two are mandatory: EN 13850 on measurement of transit time of end-to-end services for single-piece priority mail and first class mail, and EN 14012 on principles of complaint handling (see section 5.4.7.2).

These two mandatory standards stand out as they are a direct result of Postal Services Directive requirements. Transit time measurements for letter services based on EN 13850 by different postal operators can be compared with each other. This had not always been the case. The EC Green Paper states a lack of comparability due to different measurement methods, which was addressed by developing standard EN 13850. Similarly, standard EN 14012 on complaint handling principles is an impact of the Postal Services Directive's requirement to ensure '*transparent, simple and inexpensive procedures […] for dealing with postal users' complaints*' (Art. 19).

Although the standards listed in the Annex are focussed on postal operations, not all of them are meant to be applied by postal operators. There are some standards which are directed to other postal stakeholders: for example, standard EN 13724 on apertures of private letter boxes should be applied by producers of letter boxes. Still, the standard is very useful for ensuring smooth postal operations and therefore important for the postal sector.

The Postal Services Directive requires that the work by CEN '*shall take account of the harmonisation measures adopted at international level and in particular those decided upon within the Universal Postal Union*' (Art. 20, paragraph 3). The co-ordination of work carried out by CEN with UPU is ensured by a so-called liaison committee meeting once a year, and more often if needed. Representatives of UPU and EC also participate in TC 331 plenary meetings.

Research question 44:	**Are postal standards keeping pace with the developments in technology and markets?**
Yes. The participation of stakeholders from a wide range of different countries and industries ensures that relevant technological and market developments are taken into account. This is reflected in the recently published standards as well as the work program of the four working groups (see **Table 56**), showing that many of them deal with technological developments driving postal markets, like digitisation, data exchange, and delivery options for parcels.	

Standards which are directed towards postal operators are voluntary for all but two, EN 13850 and EN 14012 (see Annex 2: List of published standards by TC 331 to this report). Standard EN 13850 for transit time measurement of end-to-end services for single-piece priority mail and first class mail is a mandatory standard whose application is very common within the EEA Member States (see Table 57). It has been developed in 2004, and practical application was mandatory from January 2005.[374] As the table shows, it is not only applied for the type of mail for which it is mandatory but in some countries also for transit time measurement of registered or non-priority mail. Although the standard is mandatory, some designated postal operators do not apply it. According to research by the ERGP, EN 13850 is not applied in Denmark, Estonia, Latvia and Sweden (no information for Liechtenstein). In the case of Denmark, standard EN 14508 is applied for measurement of non-priority mail. For the others, it is unclear which quality standards for measurement of transit time performance are applied.

Table 57 Application of technical standards for transit time measurement

	Standard applied for measurement of	Applied in (# of countries)
EN 13850	Single-piece priority mail	26
	Single-piece non-priority mail	5
	Registered mail	3
	Bulk mail	1
EN 14508	Single-piece non-priority mail	11
	Registered mail	1
EN 14534	Bulk mail	3
TR 15472	Parcels	4

Source: ERGP (2019), Report on Quality of Service, consumer protection and complaint handling, (19) 35, p. 57

The application of voluntary standards varies between Member States. USPs in some countries only apply the two mandatory standards, according to interviews conducted for this study. The less operators apply technical standards, the lower the benefits are. Generally, operators apply standards for two reasons: either if they have to, or if the standard creates a benefit, either for customers or for internal improvements. For example, standards for interfaces for cross-border parcels fall among the second category, and operators apply such standards because they make cross-border services more efficient and reduce the risk of failures along the postal value chain. Another example in the area of letter services is the location of the address field on the envelope. Automated sorting is faster and creates fewer errors if the address is located within specific boundaries, defined by minimum and maximum interspaces of the address field from the left, right, upper and lower side of the envelope. Address location in a standardised field allows machines to locate the address at higher speed and read it correctly.

374 See WIK-Consult (2003), Quality of Service Objectives, Performance and Measurement in Relation to Community Universal Postal Service, p. 219.

There are no data available on the number of operators that apply voluntary standards. Based on interviews for this study, USPs apply voluntary standards very selectively. USPs from small countries are less likely to apply voluntary standards developed by CEN and rely on UPU standards only.

Standard EN 14012 on complaints handling principles is applied to a lesser extent than EN 13850. Table 58 shows the application of the standard in 2017, which was slightly better than in 2003 when only 11 out of 31 countries applied it.[375] Even though the standard is mandatory, its application in practice varies among Member States and about half of the Member States did not oblige the USP to apply it. In 14 out of 32 countries (no information for LI), the USP does not apply EN 14012, see Table 58.

Table 58 Application of technical standard for complaint procedures EN 14012

	# of countries	thereof MS	thereof other EEA	Applied in
USPs have implemented EN 14012	17	14	2	BE, CH, CY, FR, HR, HU, IS, LT, MT, NL, NO, PL, PT, SE, SI, SK, UK

Note: No information for LI

Source: ERGP (2019), Report on Quality of Service, consumer protection and complaint handling, (19) 35

5.4.6.2 Efficient

Costs for harmonising technical standards arise on the level of CEN work as well as on national level (including costs for mandates, administrative costs for NRAs and implementation by operators, see Table 59 for an overview on costs and benefits).

Table 59 Costs and benefits for harmonisation of technical standards

Harmonisation of technical standards	
Costs	CEN budget
	Costs for postal standards mandates (USPs and other postal stakeholders)
	Administrative costs of NRAs
	Implementing costs for USPs
	Implementing costs for other postal operators
Benefits	More efficient technical processes for operators
	Facilitate cooperation of (international) operators
	Improved co-ordination between postal operators and users
	More convenience and reliability for postal users

Source: WIK-Consult

375 See WIK-Consult (2003), Main Developments in the Postal Sector 2010-2013, p. 160.

As CEN did not provide figures for its budget, we estimated the CEN budget based on figures provided by the European Commission (see Table 60). On average, the CEN budget is at least EUR 136,750 in each year between 2016 and 2020. The majority of the CEN budget is financed by the European Commission which has provided funding of EUR 547,000 for this period.

Table 60 CEN budget

	European Commission contribution	**Estimate of total CEN budget**
2016-2020	EUR 547,000	at least EUR 683,750
Annual average	EUR 109,400	at least EUR 136,750
Share of total CEN budget	more than 80%	-

Source: European Commission, WIK estimate

Costs for postal standards mandates arise as participants of CEN plenary and working groups face opportunity costs for time spent in CEN meetings and travelling there. However, only some USPs participate in CEN work. Typically, these are large operators, e.g. USPs from large or medium-sizes European countries.[376] USPs from small countries and competitors often do not have sufficient staff and budget to attend meetings. The CEN TC 331 plenary meets twice per year, TC 331 working groups also meet at least twice per year (more often if needed). There are also conference calls within the working groups in addition to meetings in person. Based on interviews for this study, we estimate that postal operators spend between 20 and 30 man-days for participating in CEN TC 331, including meetings and phone conferences, travel time and time to prepare. Postal operators interviewed for this study explained that costs for participating at CEN are quite low for them, and they do not regard it as a burden. Smaller operators do not participate as actively, but their reasons rather involve low priorities for participation in standard development than cost arguments. For small operators, it is more efficient to buy technology that is based on proven and tested standards than to invest in tailored solutions for which standards would have to be developed.

Table 61 Administrative costs of regulators: harmonising technical standards

Countries	**Total regulator budget**
EEA, CH	EUR 1.0 million
EU-28	EUR 0.9 million

Source: WIK estimate based on NRA survey

376 There is no publicly available information on the origins of the CEN participants.

Administrative costs of regulators may vary considerably between Member States, depending on whether an authority is involved in the CEN work or not. NRAs face administrative costs for harmonising technical standards due to monitoring application of mandatory standards. This includes, for those NRAs that participate in CEN meetings, costs for attending CEN TC 331 meetings and related work. Annual administrative costs of regulators are estimated at EUR 1 million for EEA Member States including Switzerland (see Table 61).[377] Overall, costs for harmonising technical standards that could be monetised amount annually to about EUR 1,137 million (including non-EU EEA countries and Switzerland).

Additionally, there are costs for implementing CEN standards: modifications of internal processes and technology, as well as adaptions of software and data flows. Stakeholders interviewed for this study expected that harmonised technical standards will become more important in the future, in particular as digitisation increases and data flows connected with postal flows have to be processed and correctly assigned to postal items. Although none of the operators interviewed was able to quantify implementation costs, operators participating in CEN confirmed that CEN standard development and application was worth these efforts.

Benefits

Harmonising technical standards applied by European postal operators is connected to a wide range of benefits for postal operators as well as senders and receivers. According to interviews with stakeholders active at CEN, CEN standardisation has increased the efficiency of postal processing for international postal items. Therefore, postal operators face less frictions in the sorting, transporting and delivery of international postal items. In cases where, among others, addressing, barcodes or labels cannot be read by machines due to insufficient standardisation, operators have to handle or sort these items manually at much higher costs than automated handling would incur.[378] CEN technical standards therefore ensure smooth processing and transporting along the postal value chain, and facilitate cooperation of international postal operators. They also lead to improvements in the co-ordination between operators and users in the EU, as standards make it clear and transparent for postal users what is required to ensure delivery across borders within the European community. This also contributes to a higher degree of convenience and reliability from the perspective of both senders and receivers: if their item is packaged, addressed, and the required data are provided in accordance with technical standards, they can be sure that the item will be delivered to the right addressee and most likely in time.

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377 This estimate is based on a survey among NRAs as explained in section 5.2. We asked NRAs to estimate the share of NRA cost on each of the regulatory elements analysed in this study.

378 Postal operators interviewed for this study said it was impossible to quantify.

Research question 45:	**What would be the cost of lack of common standards for the postal operators?**
Common standards ensure that postal operators are able to exchange postal items without frictions or technical problems. Lack of technical standards may cause delays (e.g. because the address is misplaced on the items, the item cannot be machine-sorted, etc.) or hamper further processing or delivery (e.g. because the address or barcodes cannot be read, or are misread, etc.). This incurs costs for postal operators, senders and receivers. Postal operators face costs as they have to treat items manually instead of automated sorting. Receivers have to wait longer for delivery, or do not receive the item at all. This may also be be harmful for senders, e.g. in case of e-commerce items or bills that are paid later than expected, retailers facing more customer complaints and returns or have to send items again that could not be delivered at all.	

Source: Interviews with USPs conducted for this study

Comparing costs and benefits

There are far more voluntary than mandatory postal standards developed by CEN, and not all postal operators apply voluntary standards. We therefore see a potential to enhance the benefits and the impact of CEN work if more postal operators applied voluntary standards. Even though some of CEN standards are not applied by all postal operators, standards that are applied create great benefits according to postal operators interviewed for this study. These benefits are mostly improvements of internal processes which would be laborious to estimate if postal operators have not taken this task.[379]

There are relatively low costs for development of CEN standards in the postal sector as described above. While the European Commission finances the administrative work of the TC 331 secretariat, the major share of the costs is created by participation of postal stakeholders, including postal regulators as well as postal operators. Participation at CEN is voluntary, therefore postal operators will only get involved in CEN work if they have sufficient benefits to justify efforts for participating at CEN meetings and the related travelling. Interviewees confirmed that their participation at CEN entails important benefits for them. In addition, USPs also stated that the cost of non-participation in CEN work could be much higher than their contribution in CEN working groups, e.g. if CEN standards would not reflect their needs or be non-compliant with their technical specifications. Summing up, we find that the overall comparison of costs and benefits of CEN standards in the postal sector is rather positive although benefits could be enhanced by a higher take-up of voluntary standards.

5.4.6.3 Relevant

Before the Postal Services Directive was introduced, the EC Green Paper identified a lack of harmonisation for postal services across the Community. The Green Paper

379 According to interviews with operators.

named problems of inter-operability which 'are to be found at every level'[380] including problems caused by a lack of harmonised standards. Some USPs stated harmonisation of technical standards on a European level was less relevant than standards set by the UPU. This point of view was expressed particularly by rather small operators that rate priorities of standard development as rather low for themselves, and therefore do not participate at CEN. Yet many USPs pointed to the overall importance of standard harmonisation which they assessed as beneficial on a more general level.

Contrary to letter volume declines, volumes of intra-Community cross-border parcels have increased since the 1990s. While standards developed by TC 331 have focused more on letter than on parcel services in the past, there is a growing need for improving inter-operability of parcel services within the EU. Parcel value chains across borders have changed due to digitisation of the postal value chain and co-ordination with senders and receivers. Tracking postal items has become the rule rather than the exception for parcels, and data is flowing from (e-commerce) senders to postal operators and recipients as well as from recipients and operators back to senders. This implies huge data volumes need to be transferred where more than one operator is involved in postal processing, e.g. for cross-border services or if operators co-operate. Moreover, senders and receivers request information upon the delivery status of items, specifically for e-commerce items. As a consequence, operators need to offer an interface for data transmission to these groups as well.

Whenever data is transmitted between different entities and intended to be read automatically, a common understanding is required on how to read data encoded in a barcode. If there are no such rules, parcel labels and the information encoded on them are misinterpreted by sorting machines, causing operational problems and inflicting costs on involved stakeholders. As e-commerce volumes are growing, the need for data transmission relating to parcels will further increase in the future. This involves all stages of the postal value chain, from packaging and addressing by the sender, automated sorting and handling as well as delivery to a variety of access points. Therefore, there remains relevance for harmonised technical standards today and in the future.

5.4.6.4 Coherent

Article 20 of the Postal Services Directive promotes the standardisation for postal services which plays a very important role in contributing to the development of the single market while protecting users. The Postal Services Directive relies on the **CEN**, which is one of the three horizontal standardisation organisations of the EU, and is coherent with the general EU rules on standardisation which have been developed

380 EC (1992), Green Paper on the development of the single market for postal services, p. 183.

since the adoption of the Postal Services Directive.[381] As provided in those rules, "*European standardisation organisations shall encourage and facilitate an appropriate representation and effective participation of all relevant stakeholders, including SME*".[382]

The Postal Services Directive also provides that EU standardisation should take into account the standardisation done at international level, in particular by the **UPU**. In that regard, a Memorandum of Understanding was agreed in October 2001 between CEN and the UPU which contributes to ensuring coherence between EU and UPU standards establishment, adoption and maintenance.[383] In this context, it is important that all relevant stakeholders are involved in the design of standards, being at the international or European level, to guarantee effective and undistorted competition between the different postal operators which is one of the objectives of the Postal Services Directive. The CEN rules for participation of stakeholders in its TC 331 working groups (see section 5.4.6.1) ensure that interested stakeholders have access to the working groups. There is no obligation for specific stakeholders to participate – new parties may enter the working groups under the condition that none of the existing participants objects. These CEN rules are coherent with the Postal Services Directive's objective of ensuring stakeholder participation.

5.4.6.5 EU added value

The EC Green Paper on the development of the single market for postal services noted that there were lots of divergences between EU Member States at that time. Back in the 1990s, quality of service was very different in the Member States, in particular for cross-border services. In addition, it was 'difficult to compare service performance because of the different measurement systems used.'[384] For the first time, technical standards developed by the TC 331 allowed to measure quality of service performance based on a common methodology, and thus compare results between Member States. Without such a common methodology laid down in a CEN standard, comparing results would not have been possible and published results would have been much less informative.

Furthermore, harmonisation of technical standards improving interoperability of postal services would not have been realised for the Community as a whole without the intervention of the Postal Services Directive. Most likely, single USPs exchanging larger amounts of cross-border items than others would have agreed bilaterally on some level

381 The main rules on EU standardisation are now contained in the Regulation 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation, amending Council Directives 89/686 and 93/15 and Directives 94/9, 94/25, 95/16, 97/23, 98/34, 2004/22, 2007/23, 2009/23 and 2009/105 of the European Parliament and of the Council and repealing Council Decision 87/95 and Decision 1673/2006 of the European Parliament and of the Council, OJ [2012] L 316/12 as amended.

382 Regulation 1025/2012, art. 5(1).

383 This MoU is available at: http://www.upu.int/en/activities/standards/standards-documents.html

384 EC (1992), Green Paper on the development of the single market for postal services, p. 179.

of harmonisation. This would have emphasised the 'danger […] of having a two-speed Europe in postal services'[385] and could possibly have deepened the gap between Member States with different quality of service. No viable alternative can be identified, neither from today's point of view nor from the perspective of 1997 when the Postal Services Directive was introduced.

5.4.6.6 Conclusions on harmonising technical standards

Effective

The CEN TC 331 has effectively been entrusted with the development of standards applicable in the postal sector. Since TC 331 started its activities, more than 40 standards have been developed to facilitate interoperability of postal services, which effectively contributes to the harmonisation of technical standards as envisaged by the Postal Services Directive.

Efficient

Costs for participation in CEN meetings are quite low, but competitors and USPs from small countries rarely participate, which limits the benefits of CEN work. However, the overall balance of costs and benefits is clearly positive. Harmonisation of technical standards through CEN has yielded more benefits than incurred costs. Nonetheless, increased practical application of voluntary standards would increase the benefits of CEN work even further.

Relevant

Increasing volumes of cross-border items with e-commerce content, and data flows connected to that, stress the need for defining standards on how to handle tracked items and process data. As manual operations are reduced and postal value chains are digitalised, operators require common standards to ensure seamless cross-border processes.

Coherent

EU standards play a very important role in general and sectoral EU law and are often encouraged as it is currently the case with Article 20 of the Postal Services Directive. This provision relies on CEN, which is one of the horizontal standardisation bodies of the EU, and is coherent with the general EU rules on standardisation, in particular ensuring that all relevant stakeholders are involved in the determination of the standards which can promote effective and undistorted competition. The Postal Services Directive also requires good coordination with UPU standardisation activities

385 EC (1992), Green Paper on the development of the single market for postal services, p. 177.

that led to the adoption of a Memorandum of Understanding between CEN and the UPU, which strengthens the coherence in standards development, adoption and maintenance. In that context as well, the representation of all relevant stakeholders is key.

EU added value

There is a pronounced EU added value, as harmonising technical standards could not have been achieved by other measures than by the Postal Services Directive rules. Without the Postal Services Directive, it is very likely that some USPs would have developed proprietary standards to ensure high-quality cross-border services for important relations, while excluding others deemed less important.

5.4.7 Establishing independent regulators

5.4.7.1 Effective

Postal regulators started their activities in many cases already in the 1990s, after the Green Paper had been published.[386] In 2004, 24 out of 25 Member States had established a postal regulator, with the exception of France. In 2006, all 27 Member States at that time as well as Norway and Iceland had established NRAs in the postal sector.[387] BG, RO and HR had also established postal NRAs when they became Member States in 2007 and 2013, respectively. With the exception of Liechtenstein, all EEA Member States as well as Switzerland have established postal regulators today. Liechtenstein has taken preparatory steps towards establishing a regulatory authority for the postal sector but has not completed it.[388]

The Directive puts particular emphasis on the independence of regulators that need to be '*legally separate and operationally independent of the postal operators*' as defined in Art. 22 (1). In addition, Member States need to ensure structural separation of regulators from ownership or control functions that are usually executed by postal ministries. However, there are no specific rules within the Postal Services Directive for ensuring independence of regulators.

Indicators for reviewing independence include the responsibility to appoint the heads of NRAs that should not be in within the same hands as the responsibility for executing ownership or control functions on a postal operator that is State-owned, even if only partly. There are 21 Member States including Switzerland where NRA heads are appointed by other institutions than the ministry responsible for controlling a State-

386 Twelve NRAs began postal regulation before the year 2000, see WIK-Consult (2004), Main Developments in the Postal Sector.
387 See Ecorys (2008), Main Developments in the Postal Sector 2006-2008.
388 According to an interview with Liechtenstein's Amt für Kommunikation for this study in spring 2019.

owned postal operator (see Table 62). Another indicator is provided by admissible reasons to dismiss the head of the NRA: if directors of the NRA cannot be replaced at the discretion of the responsible authority, the heads of NRAs may act more independently. NRA directors cannot be dismissed at discretion in 26 out of 30 countries (no information for Croatia, and no NRA in Lichtenstein). Similarly, if there is more than one head of an NRA, regulatory decisions are, by trend, more stable and independent than if there is a single person at the top of the authority. 19 out of 32 regulators have more than one director, among them small Member States as Luxembourg and two Baltics. It is surprising that there are 9 countries where postal ministries are responsible for appointing the head of the NRA (DK, EE, IE, MT, NL, SE, UK, IS, NO) and 3 countries where the heads of NRAs can be dismissed at the discretion of the postal ministry (Denmark, Estonia, Sweden), whereas the Council of the NRA may dismiss the heads in CH. There are 12 countries with just one head of the NRA (CY, DK, EE, FI, HU, PL, RO, SE, SI, SK, IS, NO). In 8 countries, the government can guide the NRA on policy (CH, DE, DK, MT, NL, SE, UK, NO), or suspend NRA orders (Belgium and Norway). These findings may raise questions or concerns on the independence of NRAs but it does not mean that regulators have been influenced in their decisions. However, there is an enhanced risk of influence on NRA decisions by politicians whose objectives might not be coherent with those of the Postal Services Directive or national postal legislation. There needs to be effective rules in place to ensure regulators' decisions are not overruled by politicians, as it has happened in the case of PostNL's acquisition of its only competitor Sandd in 2019 which was first blocked by ACM and then overruled by the Minister of Economic Affairs.[389]

Table 62 Independence of NRAs

	# of MS	Member States
Responsibility to appoint heads of NRA is with different institution than postal ministry	22	AT, BE, BG, CY, CZ, DE, EL, ES, FI, FR, HR, HU, IT, LT, LU, LV, PL, PT, RO, SI, SK, CH
Heads of NRAs cannot be dismissed at discretion	26	AT, BE, BG, CY, CZ, DE, EL, ES, FI, FR, HU, IE, IS, IT, LT, LU, LV, MT, NL, NO, PL, PT, RO, SI, SK, UK
NRA has more than one head/director	19	AT, BE, BG, CZ, DE, EL, ES, FR, HR, IE, IT, LT, LU, LV, MT, NL, PT, UK, CH
Government may NOT guide NRA on policy	23	AT, BE, BG, CZ, EE, EL, ES, FI, FR, HU, HR, IE, IT, LT, LU, LV, PL, PT, SI, SK, IS, CH
Government can NOT suspend NRA orders	29	AT, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HU, HR, IE, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK, UK, IS, CH

Source: WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013), p. 20 ff.

389 See Rijksoverheid (2019): https://www.rijksoverheid.nl/actueel/nieuws/2019/09/27/onder-strenge-voorwaarden-vergunning-voor-overname-sandd-door-postnl. [3 March 2020].

The tasks of national postal regulators arise from the Postal Services Directive. NRAs have different competences to fulfil those tasks. For example, the competence to require information from postal operators for monitoring compliance with the Postal Services Directive and its national implementation as well as for statistical purposes as set out in Art. 22a (1) varies substantially (see Table 63).

Table 63 Competences of NRAs

		# of MS	Member States
Competence to collect data from USP	on universal services	31	All MS, NO, IS, CH
	on non-universal services	30	AT, BE, BG, CH, CY, CZ, DE, EE, EL, ES, FI, FR, HR, HU, IE, IS, IT, LT, LU, LV, MT, NL, NO, PL, PT; RO, SE, SI, SK, UK
Competence to collect data from other postal operators	on universal services	28	AT, BE, BG, CH, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IE, IS, IT, LT, LU, LV, MT, NO, PT; RO, SE, SK, UK
	on non-universal services	30	AT, BE, BG, CH, CY, CZ, DE, EE, EL, ES, FI, FR, HR, HU, IE, IS, IT, LT, LU, LV, MT, NL, NO, PL, PT; RO, SE, SI, SK, UK
Levy fines if operator fails to comply with an order		29	AT, BE, BG, CH, CY, CZ, DE, EE, EL, ES, FI, FR, HR, HU, IE, IS, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK, UK
Levy substantial fines (more than 1% of revenues)		6	BE, FR, IT, NL, RO, UK
Appeal to court to enforce an order		9	CY, IE, IT, LT, LV, MT, SE, UK, CH

Source: ERGP (2018), Report on core indicators for monitoring the European postal market; WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013)

Research by ERGP indicates that the data collection competence of NRAs is restricted in some cases. For example, the NRAs in France and Portugal may collect data from other operators than the USP, only if these are licensed operators. The Danish regulator has no competence to collect data on non-universal services.

Research question 46:	**Are there independent regulators with sufficient powers to implement the Postal Services Directive in all MSs? Are there powers of the regulators similar in all MSs?**
Research question 47:	**Is the toolbox the directive places in the hands of regulators sufficient and appropriate to achieve the objectives envisaged?**

The Directive has harmonised regulators’ tasks but not enforcement powers. Competences vary substantially on the national level.

Research question 48:	**Is there a correlation between regulator's powers and competition in the market?**
No.	

Research question 49:	**Is the market information collected/analysed by regulators sufficient for efficient regulation and implementation thereof?**
While the tasks for regulators are clearly defined in the Postal Services Directive, the competence of national regulators vary substantially. Information collected and analysed by regulators is therefore not in all Member States sufficient for efficient regulation. Further harmonisation is useful.	

Source: WIK-Consult (2009), Role of Regulators in a More Competitive Postal Market; Bender/Niederprüm (2019), Berichts- und Anzeigepflichten der Unternehmen und mögliche Weiterentwicklungen der zugrundeliegenden Rechtsnormen im Postbereich, WIK discussion paper (forthcoming)

The budget and staff of postal NRAs vary substantially.[390] In 2012, staff available to NRAs in the 6 largest European markets was on average 20 FTEs, while there were on average about 6 professionals in NRAs in the 8 smallest postal markets, with other NRAs ranging in between. Comparisons of staffing and budgeting among NRAs in their respective country groups (according to market size) showed that 13 Member States (BG, DK, EE, FI, HU, IT, LU, LV, MT, NL, PL, IS, NO) have equipped their NRAs with relatively less resources than their peers in postal markets of similar size. This might indicate a need for more resources, in particular for more professional staff (lawyers and economists) to carry out regulatory tasks.

5.4.7.2 Efficient

Postal regulators may be funded from one or several sources. In addition to State budgets, funding may stem from USPs or other postal operators as well as from non-postal operators (see Table 64). Funding by non-postal operators is explained by the fact that NRAs also regulate other sectors with the exception of the Swiss NRA. Costs for financing postal regulators are thus borne by different stakeholders.

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390 See WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013), p. 22 ff. More recent figures are not available, as the last study on main developments in the postal sector by Copenhagen Economics (2013-2016) did not include such data.

Table 64 Funding of NRAs

	# of MS	Member States
State budget	15	AT, CZ, DE, DK, EE, ES, FI, FR, HU, MT, NL, PL, SK, UK, CH
Fees paid by USPs	14	AT, BE, CY, DK, ES, FI, HU, IT, MT, NL, PT, SI, UK, CH
Fees paid by postal operators generally	23	AT, BG, CY, DK, EL, ES, HR, HU, IE, IT, LT, LU, LV, MT, ML, PT, RO, SE, SI, UK, IS, NO, CH
Fees paid by non-postal operators	16	BE, BG, CY, EL, FI, HU, IT, LT, LU, LV, NL, PT, RO, SI, UK, NO

Source: ERGP (2018), Report on core indicators for monitoring the European postal market; WIK-Consult (2013), Main Developments in the Postal Sector (2010-2013)

Postal regulators' budgets in 2018/2017 amount to about EUR 45 million for all EU Member States, and EUR 48 million including other EEA countries and Switzerland (see section 5.4.1.2.1). While it is impossible to quantify and monetise benefits of the regulatory activities in many cases, as explained in each of the sub-sections on efficiency for the regulatory elements, the analysis of efficiency has shown that there are considerable benefits achieved by the Postal Services Directive. These benefits would not have been achievable without the intervention of national postal regulators.

Efficiency analyses carried out for each of the seven regulatory aspects suggest that cost of regulation is not a major issue in the postal sector and that, generally, benefits appear to exceed the cost of regulation substantially. Our overall assessment is that establishing independent regulators is an efficient instrument to achieve the goals of the Postal Services Directive.

5.4.7.3 Relevant

National postal regulators have played an important role in monitoring compliance with the Postal Services Directive in the past. Without postal regulators, monitoring postal markets and enforcing compliance with the Postal Services Directive would have been very difficult, if not impossible to achieve. Clearly separating regulatory control from ownership functions executed by postal ministries is important to ensure independence of regulators. There is no alternative to establishing regulatory authorities.

As long as postal operators continue to provide universal services, there will be a need to ensure these universal services comply with the standards defined in the Postal Services Directive. In spite of liberalisation of EU postal markets, there is not a single EEA Member State in which letter markets are truly competitive. The prevalence of market-dominant players requires independent and forceful regulators to prevent abuse of dominant positions.

We expect the tasks for postal regulators to shift in the future. In declining markets, there will be less market entry (and an increase in the number of market exits), therefore reducing the efforts related to monitoring authorisations. We expect regulators will face more complaints from postal users, and will have to monitor more closely whether minimum service levels are maintained, in particular in areas with difficult geographical situations. Issues related to e-commerce delivery might increase, e.g. if parcel operators will share infrastructure, such as shared access to automated parcel lockers as recently announced by PostNord in Denmark.[391]

5.4.7.4 Coherent

Article 22(1) of the Postal Services Directive imposes a separation between the operations and the regulation of the national postal services to prevent an obvious risk in conflict of interest. This is coherent with EU competition law, in particular with the interpretation of Articles 102 and 106 TFEU given by the Court of Justice in 1991. The Court of Justice dealt with two cases concerning the telecommunications terminal equipment which have founded the basis for separation of operative and regulatory functions that have been applied within the Union ever since. In those cases, the Court of Justice decided that the functions of approving (i.e. regulating) telecommunications terminals and of selling those terminals should be separated to secure the equality of opportunities between the various economic operators.[392]

Beyond the coherence analysis, it is interesting to note that EU rules on the characteristics and the functioning of NRAs in the different network industries have become more detailed and precise over the years, in particular with guaranteeing the independence of those authorities vis-à-vis the operators, but also increasingly vis-à-vis the government and the legislature. For instance, the European Electronic Communications Code now has very comprehensive provisions relating to management, staff and financial means of the NRAs in order to guarantee their independence.[393] Those provisions have always been applied very strictly by the Court of Justice, which had condemned several Member States that were undermining the independence of their NRAs.[394] Similarly, the new Electricity Directive is now more

391 See Post&Parcel (2019), PostNord and SwipBox move towards countrywide network of parcel lockers in Denmark, 21 March 2019 [https://postandparcel.info/103477/news/parcel/postnord-and-swipbox-move-towards-countrywide-network-of-parcel-lockers-in-denmark/].

392 Case C-202/88, *Competition Directive for telecommunications terminals,* EU:C:1991:120, para.51 and C-18/88, *RTT v. GB-Inno-BM*, EU:C:1991:474, paras. 25-26.

393 EECC, arts. 5-9.

394 See *Commission v Germany – New Generation Networks* (C–424/04) EU:C:2009:749, where the Court of Justice condemned Germany for having adopted a law restricting the power of the NRAs in analysing and regulating emerging markets; *Commission v France – Universal Service II* (C–220/07) EU:C:2008:354, para.34 and *Commission v Portugal – Universal Service* (C–154/09) EU:C:2010:591, where the Court of Justice condemned France and Portugal for adopting a law restricting the power of the NRAs in designating the universal service provider, according to a procedure which is efficient, objective and non–discriminatory; *UPC Nederland v Gemeente Hilversum* (C–518/11) EU:C:2013:709, para.54; *Europa Way and Persidera v Autorità per le Garanzie nelle Comunicazioni et al.* (C–560/15) EU:C:2017:593, para.57 where the Court of Justice considered that the Parliament precise regarding the independence safeguards of NRAs.[395] Moreover, the tasks and powers of the NRAs, in particular relating to collecting information and imposing sanctions, have been strengthened over the years in the different EU laws applicable to network industries.

Next to the Postal Services Directive, a Commission Decision has set up the European Regulators Group for Postal Services, which is an expert group composed of all the NRAs of the Member States, that provides advice to the Commission on postal regulatory matters.[396] Since the adoption of this Decision in 2010, the Commission has revised and developed its horizontal rules on expert groups to clarify the modes of creation and the operations (including transparency) of those groups. Although the ERGP Decision is less detailed than the Expert Group Decision, especially regarding voting rules and transparency requirements, it is coherent with the Postal Services Directive. Nonetheless, it would support the significance of the ERGP and strengthen its position if the ERGP Decision was revised in line with the Expert Group Decision on issues such as voting rules and transparency requirements

Beyond this coherence analysis, it is also interesting to note that, in other network industries, the coordination of the NRAs within EU networks has been strengthened over the years given the important role they play in contributing to the development of the internal market. For instance, in the electronic communications sector, a light coordination network was first created by the Commission in 2002 (the European Regulatory Group) and then turned into a more solid network in 2009 by the European Parliament and the Council through the creation of the Body of European regulators for Electronic Communications (BEREC). The tasks of BEREC have increased over the years such that this body is now one of the key players in the regulatory scene.[397] Similarly, in energy, the Parliament and the Council set up the Agency for the Cooperation of Energy Regulators (ACER) in 2009 that was further strengthened 10 years later.[398] In the postal sector, the current institutional set-up of the ERGP is generally considered effective and appropriate by the various stakeholders. However, if increased cooperation at the EU level was deemed necessary, the coordination models of BEREC and ACER may be interesting to look at.

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and the government could not intervene in an on–going selection procedure organised by the Italian NRA for radio spectrum assignment. See also *Deutsche Telekom v Bundesrepublik Deutschland* (C-543/09) EU:C:2011:279, para.43.

395 Electricity Directive, art.57.

396 Commission Decision of 10 August 2010 establishing the European Regulators Group for Postal Services, OJ (2010) C 217/7.

397 Regulation 2018/1971 of the European Parliament and of the Council of 11 December 2018 establishing the Body of the European Regulators for Electronic Communications, OJ [2018] L 321/1.

398 Regulation 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing an European Agency for the Cooperation of Energy Regulators, OJ [2019] L 158/22.

5.4.7.5 EU added value

Without the process initiated by the Green Paper on the development of the single market for postal services that led to the establishment of the Postal Services Directive, it is doubtful that independent postal regulators would exist in all Member States. It is reasonable to assume that some Member States would have NRAs without the intervention of the Postal Services Directive, i.e. those that had opened parts of their markets already, but certainly not for the majority or all Member States.

Establishing postal regulators with harmonised competences within the EU Member States enables harmonised regulatory approaches. EU intervention (i.e. the Postal Services Directive) ensures that regulators have a comparable level of market oversight within the EU members which is the basis for informed and effective regulatory decisions. The harmonisation of tasks for regulators as well as the principles on which authorities should act is an important contribution to ensuring a level playing field throughout the EU.

5.4.7.6 Conclusions on establishing independent regulators

Effective

All Member States, Norway, Iceland and Switzerland have established postal regulators. There are concerns about independence of postal NRAs in only a few Member States. It is worth noting that NRAs have very differing competences, in particular regarding enforcement of orders and sanctioning. Some NRAs might be under-equipped with professional staff to fulfil their tasks. Our overall assessment is that the Postal Services Directive has been mostly effective in establishing independent regulators on the national level, but there are concerns that limit effectiveness.

Efficient

The efficiency of establishing independent regulators derives from the efficiency of their regulatory interventions that has been analysed in each of the sections on efficiency. We found that the regulatory aspects of the Postal Services Directive have been generally efficient, in some cases with limitations. Overall, national postal regulators have created more benefits than incurred costs. Establishing independent regulators has been an efficient instrument to achieve the goals of the Postal Services Directive.

Relevant

The tasks of postal NRAs might change along with postal market developments, technology and user needs. Albeit, regulators are needed to monitor compliance with the Postal Services Directive, now and in future. To take account of changes in user needs and markets, the competences of regulators should be strengthened regarding consumer protection and monitoring.

Coherent

Article 22 of the Postal Services Directive is coherent with the general system of EU law, within which the implementation is mostly done by national authorities, and with EU competition law, which requires a level playing field between the different postal operators, hence, there is separation between operational and regulatory functions.

Next to the Postal Services Directive, the Commission created the ERGP in 2010, an expert group composed of the heads of the different NRAs. Since then, the Commission has adopted, in 2016, a new Decision establishing horizontal rules on Commission expert groups. The ERGP Decision is coherent with the Expert Group Decision, although less detailed.

EU added value

Obviously, independent postal regulators would not exist in all Member States without the Postal Service Directive. In the absence of regulatory monitoring and control, many positive impacts of the Postal Services Directive would not have been achieved.

5.5 Findings: Evaluation of regulatory aspects

This section includes key findings of the evaluation of regulatory aspects. Based on the evaluation in the previous sections, we summarise our conclusions on the seven regulatory aspects for each of the five evaluation criteria.

Table 65 Overview on evaluation based on 5 criteria

Evaluation criteria / Regulatory aspects	Effective	Efficient	Relevant	Coherent	EU added value
Scope of the universal service	●	◕	●	◑	◑
Quality requirements	◕	●	●	◕	●
Complaint procedures	◔	◑	●	◕	◑
Price regulation	◕	●	●	◑	◕
Level playing field and market access	◕	●	●	◑	●
Harmonising technical standards	◕	◑	●	◕	●
Establishing independent regulators	◑	●	●	◑	●

To facilitate the interpretation of the table above, the table below shows for the example of the criterion ‘effectiveness’ how the symbols should be understood:

	Implementation and practical application of the relevant regulatory aspect…
○	has not been effective at all
◔	has been effective only for selected areas
◑	has been partly effective
◕	has been effective with some limitations
●	has been fully effective

Ensuring the universal service

The main focus of the Postal Services Directive has been on ensuring letter delivery services. There are only a few requirements also referring to parcels, for good reasons: well-working parcel markets already existed in the 1990s, so there was no problem that the Postal Services Directive could address. Since then, parcel markets in most countries developed quickly and without major regulatory intervention. Universal postal services including basic parcel services are effectively provided in all Member States.

The Directive defines three options for ensuring and financing the USO, but Member States rely on designation with a few exceptions. The financing of the USO net costs might become more efficient if more Member States applied procurement or other solutions.

Ensuring universal service provision has been relevant in the past when letter communication was a major communication channel. For the future, there are still some user groups with a need for letter communication and basic delivery services. It will be important to ensure that basic postal services with a defined service level are available to all users, including vulnerable user groups (e.g. in remote areas), in the future.

The rules on postal universal services are coherent in implementing Article 14 TFEU on the Services of General Economic Interest. They are also coherent and support EU regional and cohesion policies. The Postal Services Directive supports social, economic and territorial cohesion and is thus in line with the Union's regional policy. However, there are tensions between the Union's digital policy and the Postal Services Directive. The rules regarding the scope of the postal universal service may need to take into account those EU policies aimed at increasing digitisation of private and public services and improving and ensuring connectivity in Europe, possibly ensuring a coherent and integrated right to communicate in the EU. In general, the rules on financing of the universal service are compatible with EU antitrust rules, in particular the European Union framework for State aid in the form of public service compensation.

The EU added value may seem somewhat limited at first sight. In fact, Member States had generally prescribed similar universal service obligations even before the Postal Services Directive was introduced. It did not require additional services that would have gone beyond already existing national requirements. However, there were differences between national universal service definitions and the Postal Services Directive contributed to harmonising them.

Quality requirements

Furthermore, the Postal Services Directive has triggered substantial improvements of quality of service, i.e. transit time performance of USPs. Cross-border transit times had improved substantially until 2008, with positive impacts also on quality of national services. After 2008, both international and cross-border transit time performance deteriorated. The main reasons for this development are volume declines and cost pressures on USPs. Still, the positive impact of the Postal Services Directive outweighs the costs by far.

There is a continued relevance to define and enforce quality requirements to protect postal users and to ensure that USPs comply with a defined service level. However, the Postal Services Directive's transit time targets for cross-border mail do not seem appropriate for the future, particularly in the context of changing user needs and volume declines. However, strengthening the reliability target in Annex II could be envisaged.

The quality requirements are coherent with more general EU rules applicable to services providers (such as the Services Directive and the Consumer Rights Directive) which, on the one hand, impose on service providers to give information about the main characteristics of the services they offer and, on the other hand, encourage the development of voluntary EU quality standards. The Postal Services Directive complements those rules and goes further as it imposes national and EU quality standards as well as independent performance monitoring.

The achievements of the Postal Services Directive regarding the quality of cross-border services could not have been enforced by Member States on the national level. For the future, it should focus on defining a minimum level of service for international letters.

Complaint procedures

The Postal Services Directive rules on complaint procedures are enforced very differently in Member States, consequently there may be certain gaps from the view of postal users. Major concerns are low or even lacking protection for receivers, lack of mandatory compensation schemes, and a lack of clear standards for complaint handling by postal operators. The unsatisfactory application of requirements on complaint procedures also limits the benefits for postal users. Even though the Postal Services Directive would have allowed more ambitious transpositions into national legislation, it did not require Member States to do so.

USPs in many countries are adapting their operations in order to react to cost pressures caused by volume declines. Reducing quality for letter mail (transit times) is a consequence of this strategy, to the disadvantage of users, including receivers. Ensuring effective complaint procedures is highly relevant in context of falling letter volumes and potential quality losses in letter markets, as well as increasing e-commerce delivery issues in parcel markets.

Article 19 of the Postal Services Directive makes the distinction, like other EU laws, between internal complaints mechanisms, external complaints mechanisms and independent out-of-court dispute resolution. Regarding internal and external complaints, the Postal Services Directive is coherent with other EU rules applicable to postal operators, such as the Services Directive or the Cross-border Parcels Regulation, but goes further and imposes more extensive and concrete obligations. Regarding out-of-court dispute resolution, new alternative dispute resolution rules have been adopted since the last revision of the Postal Services Directive and have expanded the possibilities of redress for the consumers of postal services. To increase the coherence even further, the Postal Services Directive could make a direct link to the Alternative Dispute Resolution Directive.

Further EU added value is created by ensuring complaint procedures are effective for cross-border services.

Price regulation

Price regulation has effectively limited price increases for letter services in the past, to the benefit of users like consumers and SMEs. This has also been efficient, as benefits for users outweigh costs of price regulation.

Against the background of letter volume declines, price regulation will maintain its relevance in the future. Protecting users from excessive price increases will be a main task for regulators in this respect. However, regulatory oversight on terminal dues is still limited, or non-existent, in the absence of a clear mandate for Member States defined by the Postal Services Directive, but could become more relevant in the context of e-commerce returns across borders.

With the decrease of traffic and consequent increase in delivery costs, an internal tension between the requirements of affordability and cost orientation may appear in principle, as letter price increases in Denmark (3.89€) and Italy (2.80€) illustrate. Although postal users in these countries send, on average, less and less letters, there are still user groups that depend on postal services. Affordable postal services remain important for specific vulnerable user groups, e.g. low-income groups without access to digital services. In practice, we have not found examples of non-affordable postal services.

Such tensions could be reduced by differentiating the affordability requirement applicable to universal service (with some common criteria defined at EU level followed by the determination of affordability being done at the national level on the basis of those criteria) and the cost-orientation requirement applicable to other services, as it has been done in the regulation applicable to other network industries. Moreover, the application of price regulation should be done coherently with EU competition law and not create competitive advantages or disadvantages for some postal operators over others which are in the same markets.

There is also potential tension between the Postal Services Directive rules on terminal dues, which require that they are related to costs and are non-discriminatory, and international agreements, such as the UPU or REIMS under which terminal dues may not have been related to costs and may be discriminatory. The possibility of self-declared rates decided in September 2019 by the UPU may reduce the tensions with the Postal Services Directive but the lack of transparency of those agreements, in particular REIMS V, make the assessment of coherence or incoherence with the Postal Services Directive difficult.

Harmonising principles for price regulation has worked well in the past, and is best placed at the EU level. As affordability is gaining importance with price increases, the EU could add value by providing guiding principles on assessing and ensuring the affordability for vulnerable consumers that have limited alternatives to sending letters, while leaving flexibility to Member States to take national circumstances into account.

Level playing field and market access

Full market opening has been accomplished effectively. However, market outcomes are less satisfying since competition did not evolve as expected, but it seems to be the highest level of competition that the Postal Services Directive could reasonably achieve under its current objectives. Since the CJEU's decision in the bpost case, there is a lack of clarity about how to ensure downstream access in a non-discriminatory manner.

Despite certain gaps in the effectiveness of the Directive to ensure a level playing field and market access, the benefits of these rules have exceeded costs. While administrative costs for regulators and operators appear to be limited, users have benefitted from enhanced choice, lower prices, innovation, and higher quality of service induced by competitive pressures, even though it is limited in most markets.

In the past, the Postal Services Directive has been highly relevant for liberalising postal markets. Looking forward, ensuring a level playing field will be important in letter markets with dominant operators.

The Postal Services Directive in setting the legal conditions to provide postal services is coherent with EU competition law (in particular Article 106 TFEU on the limits in granting special and exclusive rights). The Postal Services Directive also aims to ensure a level playing field between all postal operators and to ensure that the previous monopolist does not benefit from unfair legal advantage. However, some EU existing horizontal rules applicable in the postal sector (such as the rules on VAT or on the conditions for road transport) contain some exceptions that may lead to competitive advantages for the provider of universal service as defined by the Postal Services Directive. It is important that the Postal Services Directive and those horizontal rules are interpreted coherently with the full liberalisation objective of the Postal Services Directive and do not create an unfair competitive advantage for the provider of the universal service.

Articles 11 and 11a of the Postal Services Directive aim to reduce economic entry barriers and to ensure access to the postal network under conditions that are transparent and non-discriminatory. Those obligations are coherent with and complement EU competition law and should comply with other EU law, such as GDPR when access to personal data is required.

Taking into account the discussions and opposition against the stepwise market-opening in the 1990s, it is very unlikely that all EEA Member States would have fully liberalised their postal markets. In hindsight, we see no alternative to the Postal Services Directive to ensure full market opening. For the future, it remains important to ensure a harmonised regulatory framework in the context of increasing international postal relations, the expansion of many postal operators to other Member States, and the broadening activities of other players entering into the postal market.

Harmonising technical standards

A large number of common technical standards for postal services have been developed. This contributes to more harmonisation in postal operations. There are only two mandatory standards. Effectiveness could be enhanced by a wider application of technical standards.

Costs for participation in CEN meetings is quite low, but still competitors and USPs from small countries rarely participate. This limits the benefits of CEN work, as increased participation would ensure CEN standards are feasible and beneficial for a wider scope of stakeholders. The benefits of CEN work are also limited by the low level of practical application of standards, reducing the overall evaluation of efficiency. Enhanced participation of SMEs in CEN committees would improve efficiency.

There was a need for harmonisation of technical standards in the past and still remains today. As postal streams are increasingly accompanied by data streams, common standards will become even more relevant in the future, in particular where more than one operator is involved in the postal value chain, i.e. for cross-border deliveries or cooperation between different operators.

The Postal Services Directive is coherent with the general EU bodies and rules on standardisation. A coordination with UPU is also ensured with the Memorandum of Understanding between CEN and the UPU signed in 2001. To ensure undistorted competition which is one of the key objectives of the Postal Services Directive, all relevant stakeholders should be involved in the elaboration of international or EU standards.

In the absence of CEN work for postal standards, large operators with substantial cross-border flows might have completed bilateral or multilateral agreements. EU-wide standards would not have been accomplished. There is no alternative to an intervention at EU level.

Establishing independent regulators

All Member States as well as Iceland, Norway and Switzerland have established postal regulators. Liechtenstein, which has not transposed the 2008 amendment of the Postal Services Directive, has taken preparatory steps towards establishing a regulatory authority for the postal sector but has not completed it. There are concerns about independence of postal NRAs in a few Member States. It is worth noting that NRAs have very different competences, in particular regarding enforcement of orders and sanctioning. Some NRAs might be under-equipped with professional staff to fulfil their tasks.

The efficiency of establishing independent regulators derives from the efficiency of their regulatory interventions that has been analysed in each of the sections on efficiency. We found that the regulatory aspects of the Postal Services Directive have been generally efficient, in some cases with limitations.

The tasks for postal NRAs might change along with postal market developments, technology and user needs. Albeit, regulators are needed to monitor compliance with the Postal Services Directive, now and in future. To take account of changes in user needs and markets, the competences of regulators should be strengthened regarding consumer protection and monitoring.

Article 22 of the Postal Services Directive is coherent with the general system of EU law, within which the implementation of EU law is mostly done by national authorities, and with EU competition law, which requires a level playing field between the different postal operators, hence a separation between operational and regulatory functions.

Given the key role played by the NRAs in regulating markets, the different EU sector laws for network industries have strengthened the safeguards for independence and increased the power of the NRAs over the years. Horizontal rules on Commission expert groups have been developed since the ERGP has been established. It seems appropriate to revise the Commission Decision on the ERGP to streamline it with other sectors.

Obviously, independent postal regulators would not exist in all Member States without the Postal Service Directive.

6 Recommendations

In this study, we looked at EU postal markets and future developments and analysed tomorrow's user needs. Our analysis confirms once again what is often assumed and discussed but becomes clearly visible only in retrospect: the general trend of digitisation has led to dramatic changes in European postal markets. Physical letters, advertisements, catalogues and newspapers are gradually being replaced by digital alternatives. At the same time, substantial growth in package and parcel delivery services is driven by e-commerce, both domestically and cross-border. User needs and preferences have changed accordingly and many postal users are already digital citizens and digitised businesses and administrations at the same time. The EU and the Member States support this trend within their Digital Agenda policies, albeit happening at a different pace in practice. In this context, we analysed how user needs are changing and how such changes may affect the rules 'for the development of the internal market of Community postal services and the improvement of quality of service' in Directive 97/67/EC.

Looking back to the 1990s, the political process that led to the establishment of the Postal Services Directive was a long and cumbersome process. Lots of concerns were expressed and discussed on the practical impacts of the Postal Services Directive in the twelve, since 1995 15 Member States which represented a wide variety of demand and supply of postal services, geographical and economic situations as well as approaches to monitor and control postal administrations. The variety of national circumstances was even further enhanced in 2004 and 2007 with the accession of new members. These broad national differences were not the ideal starting point for achieving the objectives, namely 1) guarantee a sustainable provision of high-quality, affordable universal postal service to all users throughout the territory of the EU Member States, 2) accomplish the internal market for postal services, and 3) set harmonised principles for the regulation of postal services.

Our overall assessment of the impact of the Postal Services Directive in the last 20 years is very positive – not in spite of the national differences, rather it has been one of the success factors to take account of variable and different situations in the Member States. The Directive has worked well in achieving its objectives, and has produced overall positive results. The most important achievements of the Postal Services Directive in the last 20 years include substantial improvements in (cross-border) quality of service, harmonising regulatory approaches and technical standards, as well as full market opening while protecting all postal users and ensuring postal services are universally available throughout the EU. Until today, it has enabled Member States to cope with the recent disruptions in postal markets caused by digitalisation and e-commerce.

Even though we come to the overall conclusion the Postal Services Directive has had a positive impact, we recommend adapting or improving certain single rules. Our recommendations intend to enhance effectiveness of rules in relation to the Postal Services Directive objectives, improve its efficiency, coherence and EU added value, or increase its relevance for stakeholders in the postal sector.

It is important to note that we have evaluated the Postal Services Directive in order to identify potentials for improvement of rules within the Postal Services Directive. We did not, and were not required to, recommend whether or when it should be amended. The findings of this study will feed the European Commission’s own evaluation which is a standard procedure for EU level legislation and overdue in the case of the Postal Services Directive. Any decision on amending it, or not, will be considered at the political level, after the Commission’s own evaluation has been accomplished. We do not offer any recommendation on whether the recommended changes are worth the effort, or important enough to propose a revision of the Postal Services Directive.

6.1 Postal items need to be sorted once to qualify as postal service

New business models in the postal sector evolve and require to update the definition of a postal service: a postal service includes at least one processing in a sorting centre.

As the postal sector, in particular in parcel segments, is evolving dynamically and innovatively, it is important to have clear definitions in place. Recent jurisprudence of the CJEU has clarified that postal services also include express services as well as the new business models fall under its remit.[399] While there have been national examples of ambiguities regarding the boundaries between postal services and others, this appears to be a problem caused by unclear national definitions (see sections 5.4.1.1 and 5.4.5.1). On the level of the Postal Services Directive, the existing definition of postal items and postal services provides a clear dividing line between postal and other services. However, the landscape of delivery services becomes more diverse than ever before (as discussed in section 2.2). There are certain new and innovative delivery services, such as two-hour-delivery from local shops or delivery of prepared food from restaurants. These services target e-retailers and their customers and do not address user needs for a basic universal postal service. In order to identify services that are subject to universal service regulation and others, there is a need to determine criteria to clearly distinguish universal services and services outside the scope of the USO.

An option would be to include the processing of delivered items at least at one hub/sorting centre, in order to exclude services that do not require packaging and addressing. For example, an architect that sends samples to a customer in the same town by taxi or local courier, or a restaurant that uses food delivery service to send pre-ordered food to a customer in few kilometres distance may not be in need of universal service regulation that applies to nationwide postal service.

399 See CJEU joined cases C‑259/16 and C-260/16, decision of 31 May 2018.

In addition, we recommend to delete the definition for items of correspondence, which has no further relevance since full market opening.

6.2 Maintain Member States' flexibility to define the scope of universal services

The current Postal Services Directive enables Member States to determine the scope of services within USO flexibly. This flexibility should be maintained or increased.

Before the Postal Services Directive was introduced, postal services were one of or even the most important channel(s) for communication in all European countries. Within the last 20 years, this has changed fundamentally: broadband coverage and internet use are obvious drivers for letter substitution and enablers for e-commerce growth but differ significantly among Member States. Both private users and businesses have better availability and speed of broadband internet access in, for example, Nordic countries than in Southern Europe (see section 2.4.1). Furthermore, evidence suggests that there exists a "digital divide" between rural and urban households in addition to the demographic digital divide between the millennium generation and those born earlier. In countries where e-government services are well-developed and widely applied (such as Estonia, Sweden, and the Netherlands, see section 2.4.4), e-government activities act as a role model for business and consumer communication, and have a strong impact on letter volume declines (see section 2.1.1. and Case study 16).

European businesses are in principle ready for digital communication and e-substitution, as there are only 3% of businesses in the EU without internet connection. In practice, the digitisation of supply chains is varying across the EU: only a minority of businesses have electronically linked their processes with their suppliers or customers, varying from 30% for enterprises in Germany to 6% for enterprises in Latvia. Even though businesses send fewer letters and less often, business users in our survey expect to still use mail in the next five to ten years. Whereas start-ups and enterprises embracing digital solutions are reducing their use of letter mail already, more traditional companies and especially small and medium-sized enterprises (SMEs) with a lack of digital skills will remain dependent to a certain extent on letter mail for the foreseeable future. Nearly half of the respondents expect to send and receive mail in five to ten years for billing and payment as well as communication with other businesses, public institutions and customers (see section 3.2.2).

Legal requirements to use letters are slowing down e-substitution, as Member States apply varying approaches towards e-government which can pave the way for fast and disruptive changes in communications habits of businesses and citizens, as the example of Denmark or the Netherlands show. However, even in these countries the need for traditional ways of communication with government administrations and service providers will stay for a long time at least for certain user groups, e.g. with low digital skills. By contrast, in countries like Germany with low uptake of e-government, physical communication with public institution will remain important for much longer for citizens and businesses. Private users have embraced digital media for social communication, and even elderly people are catching up. Despite these changes, postal users still express their need for a ubiquitous postal service.

The Postal Services Directive enables Member States to define the scope of the universal service on the national level. Member States have used this flexibility in the past: the scope of universal services in the Member States has remained very different since 1997, and the evidence shows that it does not develop towards greater harmonisation either. There are some Member States where only single-piece mail is ensured as a universal service. However, this has not caused major problems in the past. Taking into account the country-specific differences within the EU regarding digitalisation, broadband coverage and e-government initiatives, we recommend to leave this as flexible as it is and to entrust it with the Member States to define a scope of universal services that best suits their needs. Whether Member States choose to define the scope legally or entrust the NRA (who may have a deeper understanding of market developments) with defining it, is also a political decision and should be left to their discretion.

6.3 Member States should be flexible to require frequency of delivery

Member States should be allowed – under certain conditions to be determined – to adapt the frequency of delivery and collection (e.g. to alternate-day-delivery). A reliable postal service for all users should be guaranteed.

Substantial volume declines are proof of obvious, even radical changes in communication behaviour and user needs. From the view of postal operators, volume declines require changes in regulatory obligations to alleviate financial impacts. Even though postal users would prefer to maintain traditional service levels, many users are ready to accept changes, as discussed in section 3. As most users are less and less dependent on letters arriving the next working day for urgent communication, they would rather accept service cuts than pay more, as studies and user surveys in Belgium, Denmark, Ireland, the Netherlands and Sweden show (see section 3.5). Member States should be able to determine the frequency of delivery and collection that is suitable for their national situation, while guaranteeing a reliable universal postal service for all users. National circumstances such as broadband availability, level of digitisation of businesses and public institutions as well as cultural factors and the actual use of postal services differ to a great extent. In this light, it does not seem appropriate to require the same frequency of delivery or collection in countries with a high level of digitisation of businesses and public institutions, excellent broadband access and well-functioning digital alternatives as in countries where all these factors are developed to a much lesser extent. Member States should be able to define a frequency of delivery and collection that is adequate to their national situation and suits the needs of their citizens and businesses. However, there are certain user groups, in particular vulnerable users which still depend on postal services. It will be essential to ensure a reliable, but not necessarily daily, frequency of delivery and collection for them.

In order to reconcile sustainability and user needs, we recommend allowing Member States to reduce the requirement on frequency of delivery and collection. This should be subject to procedural constraints to ensure user needs are not neglected. Such constraints could include e.g. specific user needs studies and/or national consultation processes, or submission to the Commission.

We do not recommend a specific level. After extensive discussions with postal stakeholders, we come to the conclusion that any future requirement on delivery frequency should allow for alternate-day delivery. It is important to note that we neither recommend alternate-day delivery as a new minimum requirement nor as a generally recommended model for all USPs. Considerable differences on the national level have to be taken into account, and the question how often mail should be delivered needs to be discussed thoroughly in each Member State before any policy in this regard is defined. However, Member States should be given more flexibility to adapt frequency requirements to their specific needs, including maintaining the current level.

While users are using digital solutions for many purposes and are willing to accept that letters are delivered fewer than five times per week in many Member States, expectations of online shoppers for e-commerce parcel delivery are increasing. To be successful in the strongly growing e-commerce delivery segment, USPs will certainly need to deliver more often than twice per week. Some USPs, such as La Poste, bpost or Deutsche Post, are successful in postal markets by maintaining daily delivery which is valuable to e-retailers to meet customer demand for speedy fulfilment. At the other end of the scale there is the PostNord in Denmark, which does not seem to be able to leave the path of financial losses in spite of continuing reductions in universal service requirements. While it might be a sensible answer to volume declines, strongly reducing frequency can put USPs business options in e-commerce segments at stake.

6.4 Cross-border transit time requirements should focus on reliability

In order to ensure reliable cross-border postal service, and respond to reduced quality of service targets and performance in some parts of the EU, transit time targets for cross-border postal services in the Postal Service Directive should focus more clearly on reliability of all postal items. This could be accomplished by requiring very high performance, but for longer routing times (e.g. for a D+7 target).

Most urgent letter mail communication has long since been replaced by digital channels. The majority of remaining letter mail volumes are bills or advertisements, and receivers are not demanding to get them earlier. At the same time, an increasing number of Member States has reduced requirements for delivery frequency. Reducing domestic delivery frequency has an impact on the transit time, both domestically and cross-border. International transit time performance measurement show that even today, many European USPs cannot fulfil the Postal Services Directive's transit time targets to deliver 85% of cross-border, intra-Community mail within D+3. If more Member States will reduce delivery frequency in the future, the share of mail that is delivered within the target will further decrease.

Yet, volumes of cross-border letters shipped by e-retailers that contain e-commerce goods are increasing, and e-retailers are facing a growing variety of cross-border shipping solutions offered by USPs and other postal operators. By contrast, cross-border letter volumes with communications content are shrinking, as are letter volumes generally (see section 2.1.1). We notice there is a trend toward using slower letter products, and overall less need for fast delivery than 20 years before (see section 3.5).

In that light, one option would be to completely abolish transit time requirements for international letter post. This would leave it to the designated postal operators to determine quality of international letter services. However, we see a risk that users' interests to expect a defined level of reliability are put at stake without requirements. In addition, the relevance of the international letter services would be considerably reduced if users would not know whether to expect an item within a few days or several weeks. We therefore recommend to adapt transit time targets and focus on reliability. In contrast to fast delivery, a high reliability means mail will be delivered with great certainty within the defined time frame. In addition to the existing D+5 target, the Postal Services Directive should require very high performance for longer routing time. In order to ensure reliability of cross-border services, a D+7 target could be defined. In order to ensure a high reliability of transit time for postal users, the D+7 target should be demanding (for example, 99% or even more). The D+3 target could be deleted.

Reducing transit time targets for cross-border delivery does not mean users have no options for fast delivery. In practice, USPs offer not only universal service products for international mail but also fast tracked letter or express services. In addition, competing parcel and express service providers offer a wide variety of cross-border services which are available to the vast majority of small business and private users within the EU. We did not detect any cases of market failure in this regard, nor do we expect any shortcomings in the future. The European Commission's database on cross-border products and tariffs[400] shows a wide variety of available services offered by different postal, parcel and express operators in all Member States.

400 The database is available at https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery/public-tariffs-cross-border_en

6.5 Regulators should analyse feasibility of alternatives to designation to ensure USO provision

To ensure efficient universal service provision, Member States should be required to analyse the feasibility of market-based approach and procurement. The results of this analysis should be published. The Postal Services Directive should clarify that there are three possible approaches to ensure universal services are provided.

In order to ensure universal services, most Member States have designated universal service providers without analysing the potential for procurement or market-based approaches. Among the possible approaches to ensure universal service provision, designation may come at high costs for postal operators and also State budgets if a net cost is calculated and the designated operator requires compensation. Procurement is potentially less costly, as there is at least competition for the contract (i.e. the designation). In the case of market-based approaches, there is no designation, thus no automated mechanisms for compensating a net cost.

The examples of Germany (market forces) and Norway (procurement) have been successful applications of these approaches in practice, with good market results (see section 5.4.1.2.2). Both procurement and market-based approaches are in principle appropriate to achieve comparable results at lower costs, or superior results at comparable costs. These approaches are characterised by inherent incentives to select the service provider(s) with the least cost for a given quality of service. In accordance with general economic theory, these incentives improve the efficiency of ensuring universal services. Although the Postal Services Directive already provides includes the options to procure for universal services or apply a market-based approach, only very few Member States have chosen to do so for unclear reasons. A more explicit clarification seems useful to underline that there is no preference for designation; procurement as well as provision by market forces can be feasible options in certain situations or Member States. In order to achieve more participation from (small and medium-sized) market players in procurement procedures, the Postal Services Directive should encourage Member States to consider procuring for universal service lots, e.g. for selected services, for specific days of the week, or for geographic areas.

Designation is a strong regulatory measure that may have detrimental effects on the development of competition in postal markets (see section 5.4.5.4). In addition, it may impose a severe financial burden on designated operators in the form of net costs of the USO. In order to avoid designation where it is not necessary to ensure universal service provision, we recommend requiring Member States to respect a legal procedure that should be defined. Each time Member States decide on the approach to ensure universal service provision, they should be obliged to analyse the possibility of applying procurement procedures or market-based approach before deciding on an approach for ensuring universal service. The results of the analysis should be made public, together with a reasoning why a specific approach was chosen.

6.6 Ensuring USO provision by procurement or designation is possible for parts of the USO

To avoid excessive obligations, the Postal Services Directive should clarify Member States may ensure universal service provision separately for specific geographical areas or for specific services (e.g. delivery on Saturdays, in remote areas, registered and insured services, special customer groups). Designation should be only applied if needed and appropriate, and if the principle of least market distortion is respected, which is a proven and tested principle in other network industries.

Designating an operator for the provision of universal services within the whole area of a Member State can be burdensome, as the increase in the number of USO net cost compensations show. To reduce the burden on operators as well as on public budgets, a postal provider could be designated for specific geographical areas or services only, and other solutions (e.g. procurement) can be found for areas or services without designation. The Norwegian example has recently shown that this is feasible in practice for newspaper delivery in rural areas. Similarly, this approach could be applied for e.g. postal service provision on islands.

While this approach could still be possible under the Postal Services Directive today, it has not been applied by EU Member States yet, and clarification may be useful to increase the efficiency of approaches to ensure universal service provision. Member States or their regulators should be required to analyse whether it is possible to designate a USP for separate parts of a territory or specific services. The results of this analysis should be published. If there are sufficient reasons for designation for a whole country and / or all universal services, this type of designation should still be possible.

Any approach to ensure universal services are provided should not have distortive effects on postal markets. Generally, designating an operator is a measure with a strong impact on market forces and may distort competition. To prevent market distortion as far as possible and ensure a level playing field for all operators on European postal markets, the principle of least market distortions should be introduced. This should ensure the chosen approach will not lead to more market distortions than necessary while ensuring postal users have access to a universal postal service of defined quality. The principle to minimise market distortions has proven to be valuable and effective in other sectors such as in the telecommunications regulation.

6.7 State funding of USO net costs should be preferred

The Postal Services Directive should clarify that state funding is the preferred option for financing universal services, if needed. The option to establish compensation funds should be removed.

The number of USPs that demand net cost compensation has been increasing in the recent past. In those cases where revenues are not sufficient to finance a universal service obligation, and USPs are not able to achieve further efficiency gains, Member States have two options. First, they may reduce universal service requirements to keep costs under control – e.g. reduce delivery frequency (e.g. in Denmark and Italy), or transit time (e.g. from D+1 to D+2 in Sweden). Second, they may provide external funding (as analysed in section 5.4.1.2.1).[401] Although compensation funds are rarely applied in practice (only four Member States have activated compensation funds so far), the mechanism has contributed little to cover the calculated net cost, e.g. in Estonia. In the past, compensation funds have not been functional for financing USO net cost in practice. In European letter post markets, USPs are dominant operators without exception, thus they are by definition the major contributors to compensation funds themselves. The financing contribution from competing operators is so small that it is negligible and cannot fill the gap. Therefore, compensation funds should be removed, and public funding established as the option of choice.

6.8 Maintain approach for net cost calculation (Annex I)

The rules for net cost calculation as defined in Annex I are effective and allow for flexible application in the Member States. Annex I should be maintained.

National postal regulators face new challenges as postal markets are disrupted by new technologies and changing users' needs. Some regulatory approaches of the past may no longer be working, and they have to find new solutions, e.g. to cope with volume declines in price and quality regulation. Calculating USO net cost is also a relatively new challenge which has only become relevant as volumes decreased in many Member States, and an increasing number of universal service providers call for compensation of net costs. Since practical experience with calculation net costs only evolved in the recent past in many Member States, many postal regulators (and universal service providers) have little experience with this approach, and there is very little jurisdiction that could offer legal certainty on this issue.

Necessarily, the approach adopted to assess USO net costs needs to be suitable for all Member States and therefore needs to be adapted to the specific national situation at Member State level. In particular, regulators need to develop themselves or else verify a

401 For example in Italy, Croatia, or Iceland.

counterfactual scenario developed by the USP. As the counterfactual is hypothetical, it cannot be derived from the general ledger of the USP but has to be based on assumptions which are different in each Member State. While this task is not easy, it does not seem possible that guidance at the European level will relieve regulators. Rather, increased cooperation within the ERGP and exchange of experiences with the methodology might be valuable for national regulators without experience with the approach.

6.9 Postal user protection should be strengthened

The Directive should strengthen user protection and require that rights of receivers are included within user rights. It should enforce postal operators apply existing CEN standard for complaint handling, and ensure complaint handling procedures are effectively monitored by NRAs. Compensation schemes and out of court resolution schemes should be made mandatory.

USPs in many countries are adapting their operations in order to react to cost pressure caused by volume declines. This also has an impact on quality of service for users and in particular receivers, and may incur a risk that user rights are neglected. While the Postal Services Directive already does not distinguish between sending and receiving users, in practice receivers have much less rights than senders. At the same time, receiving letters and parcels with e-commerce content becomes much more relevant for a growing number of e-commerce customers, including elderly persons and inhabitants of economically deprived or rural areas. The Postal Services Directive should explicitly include rights for receivers in rules on user protection to take account of this development. This is less relevant for large senders who often have access to individually negotiated tariffs and may contact their key account manager in case of problems.

For consumers as well as small and medium sized enterprises, clear standards for complaint procedures and complaint handling are essential. Consumers and SMEs do not have access to key account customer service, and in the absence of competition for single-piece services, these user groups have few options to show their dissatisfaction with a dominant operator's service. In practice, postal operators offer complaint handling procedures but there are many gaps from the view of postal users. Postal regulators approve of complaint procedures only in 18 Member States (see section 5.4.3.1). A major concern is the effectiveness of complaints for users: first, there is low or even lacking accessibility for receivers. If receivers, due to a lack of contractual relations with the operator, cannot access complaint procedures there is often no alternative than taking the case to court. Yet, users often hesitate to choose this path as the value of their claim is often too low.

Second, there is a lack of mandatory compensation schemes in many countries. Only 16 designated universal service providers have compensation schemes in place. Where such schemes are lacking, users often do not receive compensation at all and would need to go to court to enforce their claim. Mandatory compensation schemes would enable users to receive an adequate compensation in justified cases, e.g. loss or damage to an item. We recommend requiring Member States to establish such compensation schemes.

Third, where users are not satisfied with the outcome of their complaint, users have no or only very expensive options to enforce their claim, as out of court resolution procedures are hardly available. Such procedures are easily accessible for consumers and SMEs, and much less costly than court proceedings. The low dispersion of out of court resolution is not a specific to the postal sector but a general problem for many industries. Although out of court resolution is a low-level, low-cost alternative mechanism it is not applied widely and postal operators generally refuse to participate. We recommend to require postal operators to participate in out of court dispute resolutions.

In addition, complaint procedures often do not comply with CEN standard 14012. We recommend regulators should more closely monitor that the standard is respected and enforce its application.

6.10 Focus price regulation on avoiding excessive pricing and ensuring transparency

Price control according to the tariff principles in the Postal Services Directive should be focused on single-piece services with the objective of avoiding excessive pricing. The Directive should clarify that general discounts within universal service need to be made transparent. The European Commission should provide guidance on principles to assess affordability.

The principle of **cost orientation** is applied very differently by Member States. As set out in section 5.4.4.1, approaches vary substantially regarding scope of revenues and costs, product range and profit margin included. Where universal services include only single-piece services today, the cost orientation principle does not apply to bulk mail. The major objective for cost-orientation, as applied under the current Postal Services Directive, is to avoid excessive[402] pricing, which is relevant only for single-piece services.

402 In European letter post markets, the incumbent postal operators have in many Member States more than 80 or 90% of market share, i.e. there is no effective competition. In such a market structure, the market dominant operators may be able to demand prices which include profit margins that would not be achievable in competitive markets. Such prices are called excessive according to economic theory.

By contrast, bulk services are typically not priced excessively; they are potentially more in danger of being priced below cost (predatory pricing) by an incumbent operator to limit business options for competitors. However, predatory pricing cannot be prevented effectively based on the current principles of the Postal Services Directive. In the past, competition authorities have effectively sanctioned dominant postal operators that introduced predatory prices, generally applying marginal or incremental cost concepts. We conclude that NCAs may be better placed to act against abuse of market power than NRAs. On the other hand, if NRAs were to have role in preventing abuse of market power, they need a more appropriate legal basis than the current provisions of the Postal Services Directive (Articles 12 and 14).

We recommend that the Postal Services Directive should focus on its objectives to ensure that universally available and affordable postal services are provided and user rights are protected. It should clarify whether cost orientation is required for single-piece services to prevent users paying too much.

The Postal Services Directive requires that universal service tariffs are **transparent**. For single-piece services, all European USPs publish prices as a standard procedure. Transparency for general discounts could be improved in most Member States, as these are rarely publicly available. Small and medium sized business senders who are the main users of general discounts would have better information on available services and tariffs. This would not only strengthen their market oversight but would enable them to use postal services more efficiently and choose those services that best suit their needs.

On the other hand, improving transparency for discounted mail services might strengthen the implicit conflict with commercial flexibility and confidentiality. However, we do not recommend to publish all discounts, but to increase availability of information for small and medium sized business users. Among other reasons, the apparent lack of such information for international parcel services, to provide a concrete example, has resulted in the process towards establishing Regulation (EU) 2018/644. It should be left to the discretion of Member States to define which discounts are general and should be made publicly available.

Affordability is only rarely monitored by postal regulators. Even though postal tariffs are not generally unaffordable, volume declines might result in strong price increases in the future. This could have an impact on vulnerable user groups without access to digital alternatives. The EU could provide guidance how to apply the affordability principle in the future.

6.11 Art. 12, 5th indent should be clarified

Current CJEU jurisdiction has altered the interpretation of the non-discrimination principle defined in Art. 12. To ensure legal certainty and foster consumer interest in a *market without effective competition, competitors, consolidators, and bulk mailers of postal operators should be granted access to delivery networks on equal terms.*

It is one of the objectives of the Postal Services Directive to ensure a level playing field and accomplish the internal market. Defining the non-discrimination principle for so-called special tariffs defined in Art. 12, fifth indent has been an important tool to achieve this objective until the bpost-decision of the CJEU. Under current CJEU case law, access to volume discounts on equal terms is not possible for consolidators and competitors. It is not only against the original intention of the Postal Services Directive but also actively prevents a level playing field. From an economic point of view, access to volume discounts only for 'senders' creates competitive distortions.

The Directive should clarify the application of the non-discrimination principle for special tariffs, to make room for a new legal interpretation by the CJEU and the practical application of the non-discrimination principle in accordance with Postal Services Directive objectives.

6.12 Strengthen regulatory oversight on terminal dues

The Directive should strengthen regulatory competences to monitor terminal dues principles.

Regulatory oversight on terminal dues is limited, not to say non-existent, in the absence of a clear mandate for Member States as explained in section 5.4.4.1. To date, regulators do not seem to be informed nor to monitor systematically whether terminal dues principles for intra-Community mail are respected. Increasing cross-border volumes and existing concerns on the price level for cross-border services may make increased regulatory oversight desirable. Regulation 2018/644 on cross-border parcel delivery services has already improved market oversight by establishing the European Commission's database on cross-border letter and parcel services and tariffs. National regulators need to assess cross-border tariffs that seem unreasonably high, and publish the outcome of their analysis. Even though terminal dues may play a role in that, it is still unclear how terminal dues impact prices and whether tariff principles are respected.

6.13 Reduce regulatory burden: apply licensing regimes only for universal service providers

Licensing regimes are appropriate to ensure compliance with universal service obligations only. For other operators, general authorisations are sufficient.

Since full market opening in 2013 for all Member States, and much earlier for some, competition in letter markets has not fully unfolded. While timing of liberalisation (too late) and market developments (volume declines) seem to be the most important factors, there are also other factors that may hinder market access and a level playing field for all postal operators.

Although licensing regimes for competitive postal operators are not an important barrier to market entry, in general they seem to be more burdensome than necessary. Rules in other network industries, such as the European Electronic Communications Code, also favour general authorisations and restrict the application of licensing regimes to very limited areas (e.g. if operators want to access scarce resources). General authorisations, or even simple registration procedures, are sufficient and applied by some postal regulators. The Directive should ensure that legal entry barriers are reduced as much as possible and are only imposed when justified and proportionate. Therefore, the Postal Services Directive should limit the possibility of individual licenses to providers with a universal service obligation (if at all).

6.14 Harmonising technical standards

The harmonisation of technical standards is an important contribution to the international cooperation of postal operators within the Single Market. As the need to exchange data accompanying postal items grows, technical standards become a necessity. However, participation in CEN work by postal operators is limited. The Directive could further encourage postal operators including USPs from small countries as well as competitors to participate in CEN standard development. One way to achieve this would be to make more standards mandatory which would enhance the benefits of participation for operators that do not apply those standards currently. Another approach would be to enhance transparency on those operators and other businesses that participate actively in the working groups. This could be achieved by e.g. by publishing a list of participating institutions on the TC 331 website. Another option would be to award a price for the most active small postal operator in standardisation work, or similar measures to honour the dedication of small operators or competitors.

6.15 Strengthen postal regulators‘ independence

The Postal Services Directive should require standards for ensuring postal regulators‘ independence.

Regulatory decision should be objectively justified and based upon legal and economical assessments. Some postal markets are impacted by disruptive change already, and this will foreseeably happen also in many more European markets, so that independent regulators are particularly important in the future. Independent regulators are more likely to find solutions to the benefit of all stakeholders than authorities whose decisions are steered according to the political will of governing parties. There are no specific rules within the Postal Services Directive of how to ensure independence of regulators. There need to be effective rules in place to ensure regulators’ decision are not overruled by politicians as it has happened in the case of PostNL's acquisition of its only competitor Sandd in 2019 which was first blocked by ACM and then overruled by the Minister of Economic Affairs.

We recommend determining standard procedures within the Postal Services Directive to ensure postal regulators are truly independent from political processes. The Directive should clarify the institutional setting of postal regulators needs to comply with some minimum conditions. Such conditions could require directors of the NRA, e.g., have a fixed term of office and cannot be dismissed at discretion. There should be harmonised rules for appointing and dismissing NRA heads. The Directive could also require equipping postal regulators adequately with professional staff.

6.16 The ERGP should be codified within the Postal Services Directive

Currently, the ERGP is an expert group of the Commission based on a Commission Decision adopted in 2010.[403] However, given the increased role taken by the ERGP in coordinating certain activities of the NRAs in order to contribute to the development of the internal market as well as the evolution of the legal basis of the EU coordination networks for the regulatory authorities in other network industries, it would be advisable to base the ERGP on a legislative act adopted by the European Parliament and the Council.

Thus, the ERGP could be established directly by the Postal Services Directive (as it is the case in the media sector where European Regulators Group for Audiovisual Media Services is established by the AVMS Directive)[404] or by a separate legislative instrument (as it is the case in the electronic communications with BEREC[405] or the energy sector with ACER[406]). There are no good arguments why the ERGP should be treated differently from their counterparts in other network industries. Formally rooting the ERGP within the Postal Services Directive would give NRAs the opportunity to formally set their own agenda in addition to advising the Commission.

403 Commission Decision of 10 August 2010 establishing the European Regulators Group for Postal Services OJ (2010) C 217/7.

404 Directive 2010/13 of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive), OJ [2010] L 95/1, as amended by Directive 2018/1808, Art.30b.

405 Regulation 2018/1971 of the European Parliament and of the Council of 11 December 2018 establishing the Body of the European Regulators for Electronic Communications, OJ [2018] L 321/1.

406 Regulation 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing an European Agency for the Cooperation of Energy Regulators, OJ [2019] L 158/22.

6.17 Improve market oversight and competences of regulators

The Postal Services Directive should ensure that Member States dedicate sufficient competences to regulators. National postal regulators should be required to analyse postal markets annually, and publish the results of their monitoring. They should also be required to investigate user needs for universal services periodically.

Sufficient competences for postal regulators are key for the effectiveness of regulatory measures. Our evaluation has shown that some regulators might lack legal competences in some areas, in particular concerning market oversight, complaint handling, and receiver protection as well as sanctioning powers and enforcing orders. The Directive should ensure Member States dedicate sufficient resources and legal competences to regulators.

Whereas there is no doubt about the direction of future developments towards a digital society, there are national differences on the extent and pace of this trend in the EEA Member States and Switzerland. To react to disruptive changes more quickly, monitoring is required to see how user needs and preferences evolve over time and how this affects the need for universal service provision. User behaviour might change severely in the future and should be monitored closely by national regulatory authorities so that they can act accordingly. Volumes, revenues and other relevant indicators in the postal market mirror the changing needs of postal users. Regulators should be required to observe and analyse postal markets annually. The results of the analysis should be published. This will not only improve regulators' own understanding of postal markets but will increase transparency of regulatory processes and improve availability of market data for researchers and stakeholders in general.

Annex 1: List of user surveys carried out in the Member States

Reference Code	Date of publication	Author	Title	Survey
BE (2017a)	2017/02	BIPT	Overall analysis about postal needs in Belgium	Summary report
BE (2017b)	2017/02	WHY5 Research (commissioned by BIPT)	Een kwalitatieve studie naar consumentenperspectieven binnen de Belgische postale markt [A qualitative study on consumer perspectives within the Belgian postal market]	CS BS
BE (2015)	2015/11	BIPT, MAS	Realisation of a statistical survey and analysis regarding the preferences, the needs and the willingness to pay of domestic private and professional users of services relating to the universal postal service	CS BS
CH (2017)	2017/11	DemoSCOPE (commissioned by BAKOM)	Postversorgung in der Schweiz [Postal Services in Switzerland]	CS BS
DE (2018)	2018/03	BNetzA	Evaluationsstudie zum Post-Universaldienst – Ergebnisbericht [Evaluation of the postal universal service - Results]	
DE (2017)	2017/06	INFO (commissioned by BNetzA)	Evaluationsstudie zum Post-Universaldienst [Evaluation of the postal universal service]	CS BS
DK (2015)	2015/06	TRM, Wilke	Rapport om danskernes brug af pakketjenester [Report on Danes' use of parcel services]	CS BS
DK (2014)	2014/11	CEM Institute – Voxmeter (commissioned by TRM)	Analyse af danskernes brug af posttjenester (see NO_201712_CE, Table 23) [Analysis of Danes' use of postal services]DK (2015) English summary available	CS BS
FR (2017)	2017/10	DGE / Ministre de finance	Consultation publique sur le contrat d'entreprise état – La Post 2018-2022	Consul-tation
IE (2018)	2018/04	Frontier Economics (commissioned by ComReg)	Research and recommendations on the universal postal services specification	CS BS
IE (2016)	2016/11	Frontier Economics (commissioned by ComReg)	Research on postal users' needs	CS
MT (2019)	2019/02	MCA	MCA Market Research: Postal Services – Household Survey Results	CS
MT (2017a)	2017/11	MCA	MCA Market Research: Postal Services – Large Bulk Mailer Survey Results	BS
MT (2017b)	2017/12	MCA	MCA Market Research: Postal Services – Business Survey Results	BS

Reference Code	Date of publication	Author	Title	Survey
NL (2016)	2016/11	GfK (commissioned by MinEZ)	Behoeften Postmarkt: (Toekomstige) wensen en behoeften van consumenten en MKB ten aanzien van postdiensten [Needs Postal Market: (Future) wishes and needs of consumers and SMEs with regard to postal services]	CS BS
PL (2017)	2017/08	UKE	Raport z badania zapotrzebowania na usługi pocztowe [Report from the survey of demand for postal services]	CS BS
PL (2014a)	2014/11	pbs (commissioned by UKE)	Operations in the Postal Services Market and Assessment of Individual Consumers' Preferences	CS
PL (2014b)	2014/11	pbs (commissioned by UKE)	Operations in the Postal Services Market and Assessment of Institutional Consumers' Preferences	BS
PT (2017a)	2017/03	ANACOM, IMR	Estudo Sobre as Necessidades dos Consumidores de Serviços Postais [Study on the Needs of Postal Service Consumers] English summary provided by ANACOM	CS
PT (2017b)	2017/05	ANACOM, IMR	Estudo sobre as necessidades dos utilizadores quanto ao acesso estabelecimentos postais e outros pontos de acesso à rede postal [Study on users' needs for access to postal establishments and other access points to the postal network]	CS BS
RO (2015a)	2015/11	Exact (commissioned by ANCOM)	The use of postal services by individual users from Romania – Quantitative research report	CS
RO (2015b)	2015/00	ANCOM, Mercury Research	Quantitative study on usage of postal services amongst Romanian residentials	CS
RO (2015c)	2015/11	Exact (commissioned by ANCOM)	The use of postal services by legal entity users – Quantitative research report	BS
RO (2015d)	2015/11	Exact (commissioned by ANCOM)	Study regarding consumption preferences of mail services users individuals in Romania – Qualitative research report	CS
RO (2015e)	2015/09	C|C|S|A|S, DevStat (commissioned by ANCOM)	Qualitative study regarding the needs of postal service users in Romania – people with visual impairments	CS
SE (2019)	2019/03	PTS	Befokningens användning av posttjänster 2019 [The use of postal services by the population in 2019]	CS

Reference Code	Date of publication	Author	Title	Survey
SE (2018a)	2018/06	PTS	Behov av fysiska brevtjänster på en digitaliserad marknad [The need for physical mail services in a digitised market]	Report
SE (2018b)	2018/06	INTERMETRA (commissioned by PTS)	Behov av fysiska brevtjänster på en digitaliserad marknad [The need for physical mail services in a digitised market]	CS BS
SE (2016)	2016/03	PTS / stelacom	Användares behov av posttjänster [User needs for postal services]	CS BS
SI (2018a)	2018/06	AKOS, Episcenter	Raziskava o zadovoljstvu s poštnimi storitvami med splošno javnostjo [Survey on satisfaction with postal services among the general public]	CS
SI (2018b)	2018/06	AKOS, Episcenter	Raziskava o zadovoljstvu s poštnimi storitvami po zaprtju kontaktnih točk (post ali pogodbenih pošt) [Survey of satisfaction with postal services after the closure of contact points (post or contract post)]	CS
SI (2018c)	2018/06	AKOS, Episcenter	Raziskava o zadovoljstvu s poštnimi storitvami med poslovno javnostjo [Survey on satisfaction with postal services among the business community]	BS
UK (2018a)	2018/11	Ofcom	Annual monitoring update on the postal market	CS
UK (2018b)	2018/12	Citizens Advice	Consumer use and experience of parcel sending services	CS
UK (2017)	2017/08	Ofcom	Communications Market Report	CS
UK (2016a)	2016/11	YouGov / London Economics (commissioned by BEIS)	The Social Value of the Post Office Network	CS
UK (2016b)	2016/06	Breaking Blue (commissioned by Citizens Advice)	The future of consumer needs for postal services	CS
UK (2012a)	2012/06	TNS BMRB (commissioned by Ofcom)	Universal Service Obligation – Postal user needs 2012 – Quantitative research report	CS BS
UK (2012b)	2012/08	Ipsos MORI (commissioned by Ofcom)	Postal User Needs – Qualitative Research	CS BS
UK (2012c)	2012/10	Ipsos MORI (commissioned by Ofcom)	Postal Services: A consumer perspective – Qualitative research with residential consumers and small business owners	CS BS

Annex 2: List of published standards by TC 331

Reference	Year	Title	Mandatory?
EN 13619	2002	Postal services - Mail item processing - Optical characteristics for processing letters	No
CEN/TS 14442	2003	Postal services - Automated processing of mail items - Facing identification marks	No
CEN/TS 14567	2004	Postal services - Automated processing of mail items - Address block locator	No
CEN/TS 14826	2004	Postal services - Automatic identification of items - Two dimensional bar code symbol print quality specification for machine readable Digital Postage Marks	No
CEN/TS 14773	2004	Postal services - Quality of service - Measurement of loss and substantial delay in priority and first class single piece mail using a survey of test letters	No
CEN/TS 14441	2005	Postal services - Mail aggregates - Creation, processing and tracking	No
CEN/TS 14631	2005	Postal services - Automatic identification of receptacles and containers - Receptacle asset numbering	No
CEN/TS 15130	2006	Postal services - DPM infrastructure - Messages supporting DPM applications	No
CEN/TS 15511	2008	Postal services - Quality of service - Information available on postal services	No
CEN/TR 15735	2008	Postal services - Quality of service - Distance to access points	No
EN 14012	2008	Postal services - Quality of service - Complaints handling principles	Yes
CEN/TS 15873	2009	Postal Services - Open Standard Interface - Address Data File Format for OCR/VCS Dictionary Generation	No
EN 14482	2010	Postal services - Trays for international letter mail - Test methods and performance requirements	No
CEN/TS 15844-1	2010	Postal services - ID-tagging of letter mail items - Part 1: ID-tag structure, message and binary	No
CEN/TS 15844-2	2010	Postal services - ID-tagging of letter mail items - Part 2: BNB-78 Encoding Specification	No
CEN/TS 15844-3	2010	Postal services - ID-tagging of letter mail items - Part 3: BNB-62 encoding specification	No
CEN/TS 15844-4	2010	Postal services - ID-tagging of letter mail items - Part 4: State encoding specification for flats	No
CEN/TS 15844-5	2010	Postal services - ID-tagging of letter mail items – Part 5: 4-state encoding specification for small letters	No

Reference	Year	Title	Mandatory?
CEN/TS 15121-1	2011	Postal Services - Hybrid Mail - Part 1: Secured electronic postal services (SePS) interface specification - Concepts, schemas and operations	No
CEN/TS 15121-2	2011	Postal Services - Hybrid Mail - Part 2: Secured electronic postal services (SePS) interface specification - EPCM Service	No
CEN/TS 16238	2011	Postal services - Open Interface between Machine Control and Reading Coding System - MC/RC-Interface	No
CEN/TS 15523	2011	Postal Services - Statement of mailing submission	No
CEN/TS 16316	2012	Postal services - Open interface – Sortplan	No
EN 13850	2012	Postal Services - Quality of Services - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail	Yes
CEN/TS 16326	2013	Postal Services - Hybrid Mail - Functional Specification for postal registered electronic mail	No
EN 13724	2013	Postal services - Apertures of private letter boxes and letter plates - Requirements and test methods	No
CEN/TR 16706	2014	Postal Services - Quality of Service - Measurement of incorrect delivery - Feasibility Report	No
CEN/TS 15448	2014	Postal services - Open standard interface between image controller and enrichment devices (OCRs, video coding systems, voting systems)	No
CEN/TS 16735	2015	Postal services - Extensible Common Structure and Representation for Postal Rates – EPR	No
CEN/TS 14014	2015	Postal services - Hybrid mail - XML definition of encapsulation of letters for automated postal handling	No
CEN/TR 16894	2015	Postal services - Quality of delivery: Reforwarding	No
CEN/TS 16819	2015	Postal services - Parcel boxes for end use - Technical features	No
CEN/TR 16915	2015	Postal Services - Quality of service - Damage to postal items	No
EN 13724 / AC:2016	2016	Postal services - Apertures of private letter boxes and letter plates - Requirements and test methods	No
EN 14508	2016	Postal services - Quality of service - Measurement of the transit time of end-to-end services for single piece non-priority mail and second class mail	No

Reference	Year	Title	Mandatory?
CEN/TS 15472	2016	Postal services - Method for measurement of parcel transit time for cross-border parcels within the European Union and EFTA using Tracking and Tracing	No
CEN/TS 16919	2016	Postal services - Interface and data transfer format for capturing postal automation events IDT-PAE	No
EN 14534	2016	Postal services - Quality of service - Measurement of the transit time of end-to-end services for bulk mail	No
EN 14534 / AC:2017	2017	Postal services - Quality of service - Measurement of the transit time of end-to-end services for bulk mail	No
CEN/TS 17073	2017	Postal services - Interfaces for cross border parcels	No
EN 14615	2017	Postal services - Digital postage marks - Applications, security and design	No
EN ISO 19160-4	2017	Addressing - Part 4: International postal address components and template language (ISO 19160-4:2017)	No
CEN/TS 17217	2018	Postal services - Reverse envelope - Design and printing requirements	No

Source: TC 331 website

Annex 3: List of organisations that participated in WIK online stakeholder survey

	Type of stakeholder	Organisation	Country code
1.	Government/NRA	RTR	AT
2.	Government/NRA	BIPT	BE
3.	Government/NRA	Communication Regulation Commisson	BG
4.	Government/NRA	BAKOM	CH
5.	Government/NRA	Postcom	CH
6.	Government/NRA	CPC	CY
7.	Government/NRA	OCECPR	CY
8.	Government/NRA	Czech Telecommunication Office	CZ
9.	Government/NRA	Ministry of Industry and Trade	CZ
10.	Government/NRA	Bundesnetzagentur	DE
11.	Government/NRA	Federal Ministry of Economics and Energy	DE
12.	Government/NRA	Danish Transport, Construction, and Housing Authority	DK
13.	Government/NRA	Estonian Competition Authority	EE
14.	Government/NRA	Ministry of Economic affairs and Communications	EE
15.	Government/NRA	EETT (HELLENIC TELECOMMUNICATIONS AND POST COMMISSION)	EL
16.	Government/NRA	CNMC	ES
17.	Government/NRA	Ministry of Transport and Communications	FI
18.	Government/NRA	DGE / French Ministry for the Economy and Finance	FR
19.	Government/NRA	HAKOM-Croatian regulatory authority for network industries	HR
20.	Government/NRA	Government Office of the Prime Minister, Minister responsible for the management of national assets	HU
21.	Government/NRA	NMHH	HU
22.	Government/NRA	Post And Telecom Administration	IS
23.	Government/NRA	AGCOM	IT
24.	Government/NRA	Office for Communications	LI
25.	Government/NRA	Communications Regulatory Authority of the Republic of Lithuania	LT
26.	Government/NRA	Competition Council of the Republic of Lithuania	LT
27.	Government/NRA	Institut Luxembourgeois de Régulation (ILR)	LU
28.	Government/NRA	Competition Council	LV
29.	Government/NRA	Public Utilities Commission	LV

	Type of stakeholder	Organisation	Country code
30.	Government/NRA	Malta Communications Authority	MT
31.	Government/NRA	ACM	NL
32.	Government/NRA	Ministry of Economic Affairs	NL
33.	Government/NRA	Ministry of Transport and Communications	NO
34.	Government/NRA	Norwegian Communications Authority	NO
35.	Government/NRA	Office of Electronic Communications	PL
36.	Government/NRA	ANACOM	PT
37.	Government/NRA	ANCOM	RO
38.	Government/NRA	Ministry of Infrastructure, Sweden	SE
39.	Government/NRA	Swedish Post and Telecom Authority	SE
40.	Government/NRA	Agency for Communication Networks and Services of the Republic of Slovenia (AKOS)	SI
41.	Government/NRA	Ministry of Transport and Construction of the Slovak Republic	SK
42.	Government/NRA	Regulatory Authority for Electronic Communications and Postal Services	SK
43.	Government/NRA	Department for Business, Energy & Industrial Strategy	UK
44.	Government/NRA	Ofcom	UK
45.	Operator/supplier	Österreichische Post AG	AT
46.	Operator/supplier	bpost	BE
47.	Operator/supplier	TBC-Post	BE
48.	Operator/supplier	Cyprus Post	CY
49.	Operator/supplier	Czech Post s.e.	CZ
50.	Operator/supplier	AZD	DE
51.	Operator/supplier	DPDHL	DE
52.	Operator/supplier	Francotyp-Postalia Holding AG	DE
53.	Operator/supplier	letterei.de Postdienste GmbH	DE
54.	Operator/supplier	Siemens Postal, Parcel & Airport Logistics GmbH	DE
55.	Operator/supplier	WANZL Metallwarenfabrik GmbH	DE
56.	Operator/supplier	Post Danmark A/S	DK
57.	Operator/supplier	Eesti Post AS	EE
58.	Operator/supplier	ACS SA	EL
59.	Operator/supplier	ELTA S.A.	EL
60.	Operator/supplier	Citibox	ES
61.	Operator/supplier	Correos	ES

	Type of stakeholder	Organisation	Country code
62.	Operator/supplier	Posti Ltd	FI
63.	Operator/supplier	La Poste	FR
64.	Operator/supplier	Croatian post	HR
65.	Operator/supplier	Magyar Posta Zrt. (Hungarian Post)	HU
66.	Operator/supplier	An Post	IE
67.	Operator/supplier	Iceland Post	IS
68.	Operator/supplier	Fulmine Group	IT
69.	Operator/supplier	Poste Italiane	IT
70.	Operator/supplier	Lithuania Post	LT
71.	Operator/supplier	POST Luxembourg	LU
72.	Operator/supplier	MaltaPost plc	MT
73.	Operator/supplier	PostNL	NL
74.	Operator/supplier	Posten Norge AS	NO
75.	Operator/supplier	InPost	PL
76.	Operator/supplier	Polish Post	PL
77.	Operator/supplier	CTT - Correios de Portugal, S..A.	PT
78.	Operator/supplier	C.N. Posta Romana S.A.	RO
79.	Operator/supplier	PostNord Group AB - PostNord Sweden	SE
80.	Operator/supplier	Post of Slovenia	SI
81.	Operator/supplier	Slovenská pošta, a.s. (Slovak Republic)	SK
82.	Operator/supplier	Mail Boxes Etc. (UK) Limited	UK
83.	Operator/supplier	Royal Mail Group	UK

Notes: 5 additional operators/suppliers submitted responses but objected to being mentioned by name. 331 additional (mostly small) business senders that responded to the survey are not listed.

Annex 4: List of organisations that were interviewed for the study

	Type of stakeholder	Organisation	Country code
1.	Business sender	Amazon	EU
2.	Business sender	becommerce	BE
3.	Business sender	bevh	DE
4.	Business sender	eCommerce Europe	EU
5.	Business sender	EMOTA	EU
6.	Business sender	Mail Boxes Etc.	UK
7.	Business sender	VGP	NL
8.	Business sender association	Icelandic Chamber of Commerce	IS
9.	Business sender association	Irish Small and Medium Enterprises Association	IE
10.	Business sender association	Lithuanian Chamber of Commerce	LT
11.	Business sender association	Slovenian Chamber of Commerce and Industry	SI
12.	Carrier	Asempre	ES
13.	Carrier	Fulmine Group	IT
14.	Carrier	UPS	EU
15.	Carrier	VGP	NL
16.	Consumer association	CitizensAdvice	UK
17.	Consumer association	CitizensAdvice Scotland	UK
18.	Consumer association	Danish Consumer Council	DK
19.	Consumer association	German Association for the Blind	DE
20.	Consumer association for the Blind	Association for the Blind and partially sighted	DE
21.	Consumer association for the Blind	Croatian Blind Union	HR
22.	Consumer association for the Blind	Finnish Federation for the Visually Impaired	FI
23.	Consumer association for the Blind	Fondation Letzebuerger Blannevereenegung	LU
24.	Consumer association for the Blind	Hungarian Federation of the Blind and Partially Sighted	HU
25.	Consumer association for the Blind	Pancyprian Organization of the Blind	CY
26.	Consumer association for the Blind	Polish Association of the Blind	PL
27.	Consumer association for the Blind	Romanian Association of the Blind	RO
28.	Consumer association for the Blind	Slovak Blind and Partially Sighted Union	SK

	Type of stakeholder	Organisation	Country code
29.	Consumer association for the Blind	Unione Italia dei Ciechi e degli Ipovedenti	IT
30.	Consumer association for the Disabled	Belgian Disability Forum	BE
31.	Consumer association for the Disabled	Dutch Network for People with Disabilities or Chronic Illness (Ieder-in)	NL
32.	Consumer association for the Disabled	Finnish Disability Forum	FI
33.	Consumer association for the Disabled	Hungarian National Council of Federations of People with Disabilities (FESZT)	HU
34.	Consumer association for the Disabled	Malta Federation of Organisations of Persons with Disability	MT
35.	Consumer association for the Disabled	Spanish Committee of Representatives of Persons with Disabilities (CERMI)	ES
36.	Consumer association for the Disabled	The National Confederation of Disabled People Greece	EL
37.	Consumer association for the Retired	Active Retirement Ireland	IE
38.	Consumer association for the Retired	AGE Platform Europe	BE
39.	Consumer association for the Retired	Age UK	UK
40.	Consumer association for the Retired	Anziani e non solo soc. Coop	IT
41.	Consumer association for the Retired	Association des Retraités d'Air France	FR
42.	Consumer association for the Retired	Associazione Nazionale Anziani e Pensionati (ANAP)	IT
43.	Consumer association for the Retired	Associazione Nazionale Centri Sociali, Comitati Anziani e Orti (ANCESCAO)	IT
44.	Consumer association for the Retired	Bulgarian Red Cross	BG
45.	Consumer association for the Retired	Catalonian Federation of Elder Associations (FATEC)	ES
46.	Consumer association for the Retired	CD&V-senioren	BE
47.	Consumer association for the Retired	Civil Service Pensioners Alliance	UK
48.	Consumer association for the Retired	European Senior Organisation (ESO)	BE
49.	Consumer association for the Retired	Federatie Onafhankelijke Senioren (FedOS)	BE
50.	Consumer association for the Retired	Fédération Nationale des Associations de Retraités	FR
51.	Consumer association for the Retired	Gouden Dagen	NL
52.	Consumer association for the Retired	Grandparents Malta	MT

	Type of stakeholder	Organisation	Country code
53.	Consumer association for the Retired	Homeshare International	UK
54.	Consumer association for the Retired	International Longevity Centre GB (ILC-GB)	UK
55.	Consumer association for the Retired	KBO-PCOB	NL
56.	Consumer association for the Retired	Mestna zveza upokojencev Ljubljana	SI
57.	Consumer association for the Retired	Nationaal Ouderenfonds	NL
58.	Consumer association for the Retired	National Association of Retired Police Officers (NARPO)	UK
59.	Consumer association for the Retired	National Federation Omenia/Federatia Nationala Omenia	RO
60.	Consumer association for the Retired	National Union of Rail, Maritime & Transport Workers (RMT)	UK
61.	Consumer association for the Retired	Nederlandse Vereniging van Organisaties van Gepensioneerden (NVOG)	NL
62.	Consumer association for the Retired	Old Up	FR
63.	Consumer association for the Retired	PA.SY.D.Y. Pensioners Union	CY
64.	Consumer association for the Retired	Respect Seniors	BE
65.	Consumer association for the Retired	SOLIMAI - societa cooperativa sociale a r.l.	IT
66.	Consumer association for the Retired	S-Plus vzw	BE
67.	Consumer association for the Retired	The Association of Swedish-Speaking Pensioners in FI	FI
68.	Consumer association for the Retired	The National Federation of Occupational Pensioners	UK
69.	Ecommerce sender	Allegro Group	PL
70.	Ecommerce sender	bonprix SP z.o.o	PL
71.	Ecommerce sender	Conn O'Mara	IE
72.	Ecommerce sender	Ebay	EU
73.	Ecommerce sender	iloveshopping.ie	IE
74.	Ecommerce sender	Kylemore Abbey Online Shop	IE
75.	Intermediary	21grams	SE
76.	Intermediary	Cullen International	EU
77.	Intermediary	IMX France	FR
78.	Ministry	BAKOM	CH
79.	Ministry	Department of Post, Ministry of Infrastructure	PL

	Type of stakeholder	Organisation	Country code
80.	Ministry	Federal Department of Environment, Transport, Energy and Communications	CH
81.	Ministry	Federal Ministry for Economic Affairs and Energy	DE
82.	Ministry	Ministry of Transport and Communications	FI
83.	Ministry	Ministry of Transport and Construction of the Slovak Republic	SK
84.	Ministry	Norwegian Ministry of Communications and Transport	NO
85.	NRA	ACM	NL
86.	NRA	AK Office for Communications	LI
87.	NRA	BIPT	BE
88.	NRA	Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen	DE
89.	NRA	Communications Regulatory Authority of the Republic of Lithuania	LT
90.	NRA	Czech Telecommunication Office	CZ
91.	NRA	Estonian Competition Authority	EE
92.	NRA	HAKOM	HR
93.	NRA	National Markets and Competition Commission	ES
94.	NRA	Norwegian Communications Authority	NO
95.	NRA	Ofcom	UK
96.	NRA	Office of Electronic Communications	PL
97.	NRA	PTS Swedish Post and Telecom Authority	SE
98.	NRA	Road Safety and Transport Agency	DK
99.	NRA	Rundfunk und Telekom Regulierungs-GmbH	AT
100.	Postal association	BBD / Kanzlei DAMM & MANN	DE
101.	Postal association	EEA	EU
102.	Postal association	Free Fair Post Initiative	EU
103.	Postal association	PostEurop	EU
104.	TC331	BNetzA	DE
105.	Union	DPVKOM	DE

	Type of stakeholder	Organisation	Country code
106.	Union	European Confederation of Independent Trade Unions (CESI)	AT
107.	USP	An Post	IE
108.	USP	Correios	PT
109.	USP	Correos	ES
110.	USP	Deutsche Post	DE
111.	USP	DPDHL	DE
112.	USP	Iceland Post	IS
113.	USP	Lithuania Post	LT
114.	USP	Magyar Posta	HU
115.	USP	Österreichische Post	AT
116.	USP	Posta Romana	RO
117.	USP	Poste Italiane	IT
118.	USP	PostEurop	EU
119.	USP	Posti	FI
120.	USP	PostNord	DK/SE
121.	USP	Royal Mail Group	UK

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ET-03-20-571-EN-N

Publications Office
of the European Union

doi:10.2873/902673
ISBN 978-92-76-21416-8