

Long term view on the USO: What would an ideal future USO look like?

The first session raised questions on the fundamental purpose of the postal USO, what it still means to postal users and how it would look, if we could create it from scratch today. All our speakers agreed that such a USO would most likely look very different.

THE FUTURE USO SHOULD BE USER-CENTRIC AND FLEXIBLE

All speakers established that the future of the USO should centre around the needs of postal users, which include both the receivers and senders of mail. The fact that today many postal users need time-certain instead of fast mail delivery should guide regulatory changes.

However, user needs vary between EU member states making a one-size fits all USO unsustainable. Instead, the future USO should be flexible enough to be adapted to the specific national situation while at the same time allowing for cross-border services to thrive. Subsidiarity is key.

THE POSTAL SERVICES DIRECTIVE GIVES A CERTAIN DEGREE OF FLEXIBILITY

The Postal Services Directive gives a certain degree of flexibility to national governments and regulators, in relation to several requirements (e.g., delivery frequency, access points) and also allows for limited derogations. To date, not all EU Member States have made use of this flexibility. The European Commission considers that there is currently no transitional period and that the legal obligations need to be respected. However, every case needs to be assessed on a case-by-case basis and it should be taken into account that the service needs to evolve in

relation to the technical, economic and social environment.

BUT FOR CERTAIN OPERATORS, THE CURRENT USO HAS REACHED ITS LIMITS

Postal operators across Europe are using all the tools at their disposal to face the challenges of letter volume decline, from transforming their delivery models over diversification to pricing. However, all these levers have limits: costs cannot be reduced to nil, diversification strategies do not have a sufficient revenue impact (due to being too niche or strong competition), and prices cannot be increased infinitely. In this situation, a relaxation of the current minimum USO requirements becomes the only option.

TOWARDS A REVIEW OF THE USO?

Some of our panel speakers advocated to change radically the USO to focus on where it matters the most. At the same time, it was noted that this may also be where it is the most expensive to fulfil (e.g., for the elderly in rural areas).

However, in certain countries the Universal Service provider still fulfils an important social cohesion function and the post carrier and post offices are a crucial reference point in remote areas. In those societies, there are limits to reducing the USO.

USO TRANSFORMATION REQUIRES A SOUND POLICY PROCESS

All panel speakers underlined the importance of regulatory impact assessments, both on European and national levels, to assess how a change in regulation might impact the various postal stakeholders. Key to this is the appraisal of user

We thank our panel speakers



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E-government and e-substitution of postal services: Strategic and policy implications

Posts should expect volume decline to come fast and maybe to keep on going. Depending on the pace of digitalisation, it is not evident that postal volume decline will flatten out at a 'natural' minimum scale of postal volumes.

Therefore, in the second session, we discussed the facets and consequences of digitalisation around a few hands-on examples from different postal market stakeholders.

HOW DOES THE COMMISSION FOSTER DIGITALISATION?

The eIDAS regulation and related standardisation initiatives brought by the Commission's interoperability package are likely to spur more competition in the market of digital post-boxes.

From July 2016, cross-border providers can enter those national markets where the State has authorised e-delivery of mail. As of September 2018, when cross border recognition of eID means kicks in, this will be even easier. The Commission's agenda is to establish interoperability and the standards to support this.

WHAT CAN POSTS LEARN FROM DIGITALISATION IN DENMARK?

The Danish example shows how governments can become a driving force of e-substitution by choosing to communicate only digitally with citizens. Two factors can indicate to posts whether their domestic e-government initiatives have the potential to dramatically drive down mail volumes.

1. A clear business case for the government

The Danish government's digital business case built

upon four factors:

- The public sector could achieve important cost-savings
- Danish citizens were digital enough to be ready for such a transformation
- Part of the digital infrastructure was already in place (e.g., eID)
- Danish businesses were likely to become more competitive as a result of digitalisation

2. Digital government-citizen communication becomes mandatory

Making digital communication mandatory in 2014 the Danish government gave a final push towards a transformation of communication habits. This choice has acted as an important catalyst for large business mailers' willingness to substitute from physical to electronic mail, thereby accelerating volume decline.

HOW CAN POSTS RESPOND?

Our discussions showed that offering digital solutions is not going to save postal operators' mail business, as digital mail earns per unit revenues that are much smaller than physical mail. Besides, the government, as a large "anchor tenant" of the system, is keen to continue negotiating for lower prices, exploiting its systemic role for the digital platform.

Rather, postal operators needs to transform and gain more flexibility under the postal regulation at the same time. The PostNord story is one of radical transformation towards the thriving logistics business, while AnPost gained more flexibility through the repeal of its price cap regulation. The pressure from electronic substitution has been a key element driving the decision to remove the price cap.

We thank our panel speakers



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Access regulation and competition in postal and delivery markets: key cases across Europe, lessons learned and unlearned

In our third session, we welcomed detailed presentations on key competition and regulatory investigation evolving around the topic of access to the postal network.

ANTITRUST AND REGULATORY LAWFULNESS OF THE PER-SENDER MODEL CONFIRMED IN SWEDEN

The recently concluded Swedish competition case on PostNord Sweden's per sender model for volume rebates confirmed – from an antitrust angle – that per-sender conditions of rebates are lawful. Equally a parallel Swedish regulatory case confirmed the full applicability of the bpost ruling, increasing legal certainty for postal operators and sending a clear signal to other regulators and competition authorities across Europe. The case also shows the importance of basic economic principles in giving valuable guidance to legal questions.

IN-DEPTH VIEW INTO OFCOM'S MARKET REVIEW CONFIRMS UK ACCESS REGIME

Ofcom's market review confirmed the basic features of the UK postal market. Ofcom uses a wide array of economic tools to determine efficiency, which is a key driver of the regulatory approach. Importantly, the British postal regulator acknowledged the significant disciplining force that e-substitution can exert on postal operators' pricing decisions. While

Ofcom did not relax the regulation, it concluded to maintain the flexibility that the current regulatory regime grants to Royal Mail, coupled with detailed monitoring activities.

BUT IS ACCESS COMPETITION REALLY SO BENEFICIAL?

A long-discussed topic, the benefits and drawbacks of access competition have also been subject to debate in this session. The benefits of access in terms of enhancing competition were notably called into question relative to the transactional cost and regulatory burden access regulation is bound to produce.

Moreover, the question was raised: what course of action would the operator Whistl have followed, if access was not part of the UK regulatory regime. The conclusion is that it is possible (yet unclear) that end-to-end competition would have remained, if no access regime had existed. In general, the agreed concluding view was that access and end-to-end competition can be very unlikely to coexist at the same time.

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