

# DISCUSSION AND CONCLUSIONS

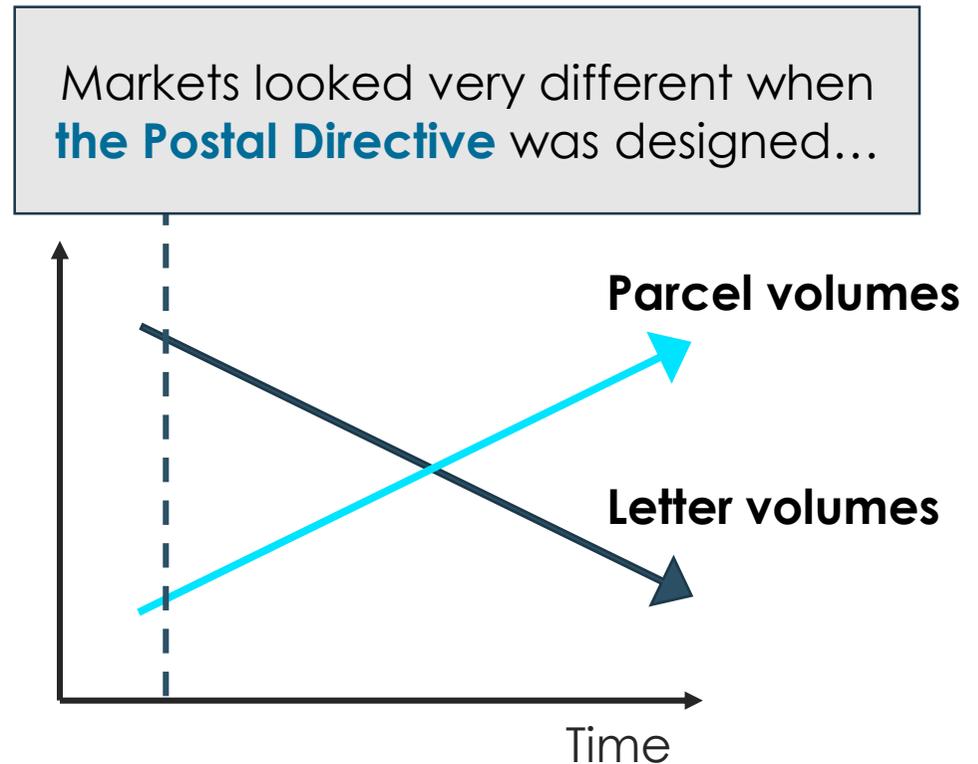
An attempt to summarise...

Copenhagen Economics Postal&Delivery conference  
3<sup>rd</sup> May 2018 – Dr Bruno Basalisco, Head of Postal&Delivery service

# Session 1: User needs are changing quickly...

- The Postal Directive was designed with user needs in mind... but a lot has changed since
- However, the Directive explicitly mentions users
- *“It’s not a taboo to discuss changes in user needs...”*
- How can we make sure that the regulation continues to match the market reality?

## A lot has changed...



# Session 1: ... so the regulatory framework can adapt

- Countries are introducing more and more reforms to the USO...
  - Slower delivery speeds, geographical exemptions, different services, etc.
- What's the right balance?
  - What's fast enough? What's too slow?
  - Which users need safeguards?
  - Which services should be regulated?
- *“Is the existing regulation still fit for purpose? Or should we start from scratch?”*

## Do we need to start over?

An evolution of needs vs. a revolution?

More divergence between different user types?

More competing delivery models?

More types of logistics services?

More network competition?

Delivery of goods, not communication?

Drone delivery?

# Session 2: Growing cross-border trade flows are stressing existing systems...

- International trade flows now occur to an extent previously unheard of...
- The underlying infrastructure and regulation needs to support this new reality...
- But the current regulation houses many distortions:
  - Chinese retailers vs. domestic retailers (*“A pipe from China – shipping is 39 cents?”*)
  - Postal operators vs. express operators (UPU rules, customs enforcement)
  - De minimis VAT/Customs level vs efficient level

**Logistics facilitate gains from trade...**



# Session 2: ... how to ensure a level playing field?

- “*Customs is the new black*”
- How are customs / VAT collected? And who bears the admin costs?
  - This can be a key market driver: “*Processing fees have decreased import volumes in Sweden by 50-60%*”
- UPU framework: What should change?
- How should the regulatory framework change?
  - What about implementation details?

**Is the current system coping with the boost in imports?**



# Session 3: The cost orientation principle is unchanged, but the market is changing

- User needs are changing, postal markets are changing, postal services are changing...
- But the principles of the Postal Directive are unchanged ...
- How should the implementation of the cost orientation principle change?
- *“There are not many guidelines regarding this principle”*
- *“Cost allocation is not an exact science”*
- How to balance affordability and the safeguarding of competition whilst also enabling commercial flexibility?

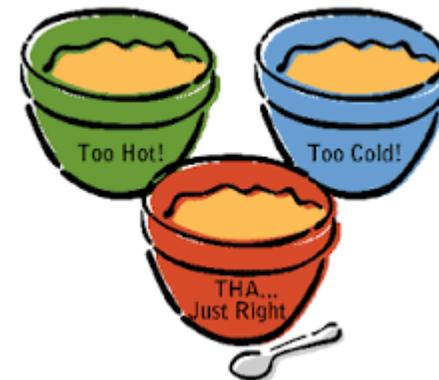
**Cost orientation: Finding the right balance...**



# Session 3: ... when are the prices just right?

- German case: “*Any price below ‘efficient costs’ [i.e. fully allocated costs] is anti-competitive per se*”
- Belgian regulator says: “*Any price above [FAC, incl. margin] is not cost oriented*”
- Czech regulator: “*Only prices exactly equal to FAC costs (plus margin) are acceptable*”
- ...The law of one price?!

**Goldilocks price regulation: Prices are... Too high? Too low? Just right?**



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