

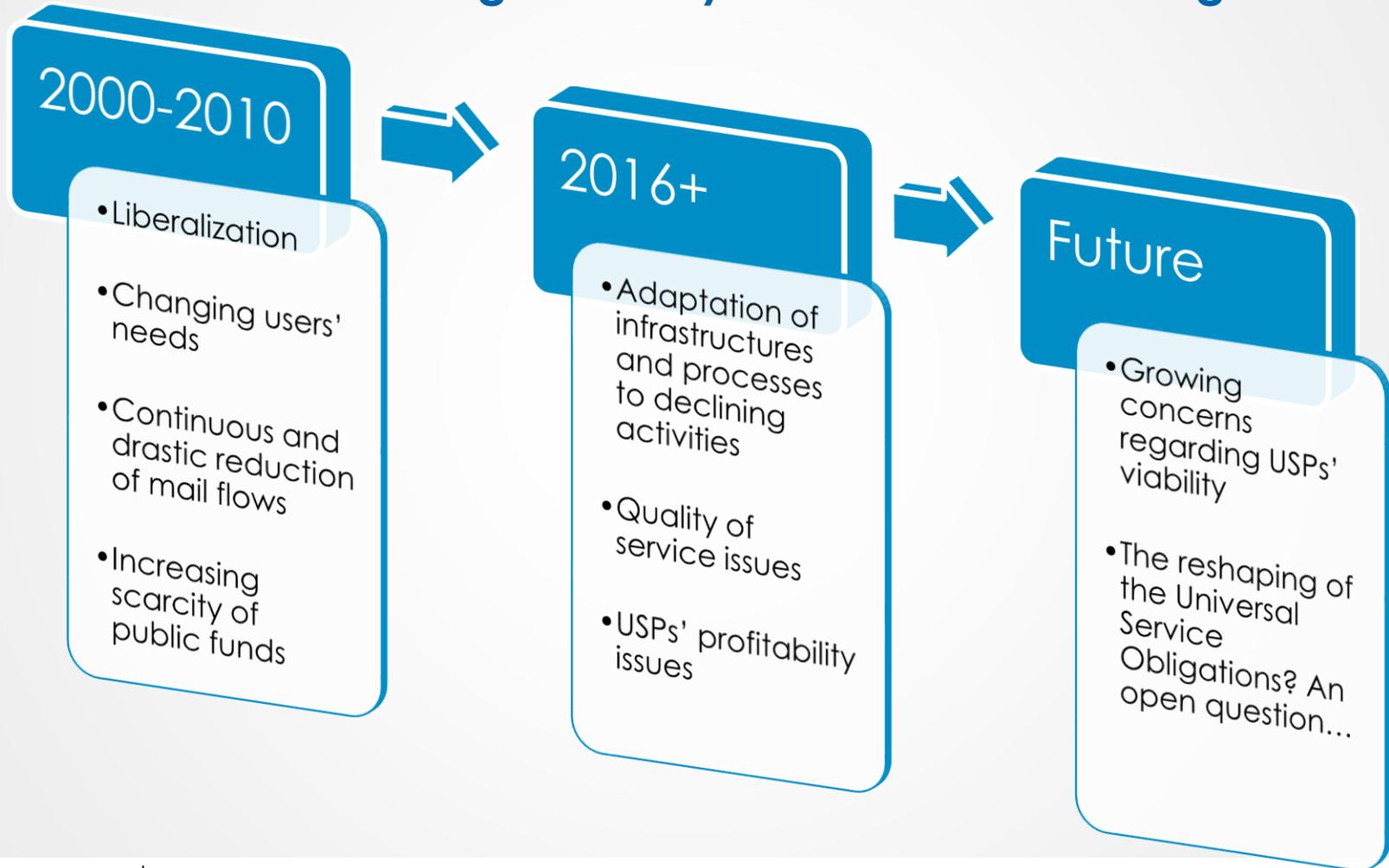


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The long term view of the USO :
What would be an ideal future
USO look like

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Chair PostEurop WG Postal Directive
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Challenges met by USPs are accelerating



USPs have used different tools to face these challenges

...(1) Exploit the possibilities offered by the legislation and the regulation:

- ▶ Use the pricing flexibility to increase prices
- ▶ Reduce the delivery frequency to the Directive minimal requirement (from 6 to 5 days per week)
- ▶ Reduce the size of the post office network
- ▶ Reduce the scope of products belonging to the universal service (exit bulk mails, D+1 mail, ...)

... (2) Create new services and diversify activities:

- ▶ Exploit the opportunities offered by the boom of e-commerce (parcel delivery, logistic, ...)
- ▶ Exploit the opportunities offered by the digitalization of the economy (digital mail, digital identity provider, etc.)
- ▶ Exploit the opportunities offered by the “silver economy” (develop “proximity” services addressed to senior people and even younger people!)

... (3) Exploit the capacity of numerical technology to reduce production costs and optimize delivery services

- ▶ Substantial transformation of USPs' business model sufficient to guarantee the USO's sustainability ?

USPs' levers are reaching limits

In a more or less short term, USPs will have fully exploited the levers provided by the current legal framework

- ▶ Prices could not be increased indefinitely and costs cannot be nil.
 - Price increase is a relevant strategy as long as the positive effect on revenues is larger than the negative effect on volume.

The diversification strategy is facing strong challenges

- ▶ Niche markets, still in infancy ?
- ▶ Competition against new powerful players (the GAFA, in particular) ?

Reminder : Objectives of EU postal legislation and priorities of the Commission

Main objectives of EU postal legislation:

- defining a **universal postal service**
- guaranteeing sustainable **provision of universal service**
- improving the **quality of postal services**
- principle of **cost related USO tariffs + transparent financing** of the USO
- encouraging **harmonization of technical standards**
- internal and external **complaints procedures**
- **independent national regulatory authorities**

These objectives have been implemented in EU law through the PSD

(Directive 97/67/EC, amended by Directive 2002/39/EC and 2008/6/EC)

- **Minimum characteristics of the universal service** in the EU
- Full opening of the sector to **competition**
- Principles to govern the **authorization/licensing of postal services**
- **Tariff principles** applicable to the USO, **transparency of the accounts** of the USPs
- **Setting of quality of service standards** for national and intra-EU cross-border services and requires that EU countries do the same at national level
- Mechanisms to encourage **technical harmonization** in the postal sector
- **Complaints procedures** for all users of postal services
- Creation of independent **national regulatory authorities**
- **Rules for the financing of any net cost of the universal service** (in case of net cost and unfair financial burden)
- Regular **Application Reports**

Conclusions / Position

- The postal industry acknowledges the need for a balanced and flexible regulatory framework at the European level to cope with the sector challenges and the changing needs of consumers.
- A flexible regulatory approach at implementation level is therefore essential for European posts.
- A “one size fits all” USO could compromise its sustainability particularly in countries where the compensation, if any, is not proportionate to the burden put on the Universal Service Providers (USPs).
- In some countries, some studies demonstrate that the USO is disproportionate compared to the users' needs, in others the USO goes further than what laid down in the EU's Postal Services Directive.

Conclusions / Position

- Member States shall be able to use the flexibility allowed by the Postal Directive, where and when appropriate, to adjust their national USO and regulatory framework pursuant to the principle of subsidiarity. This would enable to ensuring the US sustainability over the long term, by responding to the relevant country specificities and to the changing societal needs and circumstances
 - for example : relaxation of the pricing regulation, the scope of products under regulatory scrutiny or the quality constraints but sometimes postal operators need more.
 - This would in practical allow them to gradually reduce the net costs of their USO in line with the evolution of their real user's needs. This seems the best option to ensure the sustainability of the USO across Europe as long as possible.
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- We welcomed the EU Commission's studies on the future of USO and the postal industry is ready to offer support to better analyze the possible future trends.

Thank you!

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