

PostEurop position paper on the ERGP consultation on the implementation of the Universal Service in the postal sector in view of the market developments

Brussels, 14 November 2014

1) Introduction

During the past decade, the EU postal market has been gradually liberalised, moving away from a government-run service to a market enterprise setting while trying to rapidly adapt to new business models and increasingly dealing with different levels of competition.

As it was already mentioned in the Recital (7) of the Directive 2008/6/EC *“European postal markets have undergone dramatic change in recent years, a development that has been driven by technological advancements and increased competition resulting from deregulation. Due to globalisation, it is essential to take a pro-active and pro-development stance so as not to deprive Union citizens of the benefits of such change.”*

Indeed, there have been changes in consumption patterns. Traditional communications lines have blurred. Paper-based communications are declining, mainly due to the increasing substitution by the electronic communications (i.e. C2C digital services, eGovernment, eBilling, eInvoices, electronic signature). The digitisation incites overall changes in communication habits and behaviours that have a significant impact on some regulatory and competitive issues. In addition, the financial crisis since 2008 has also accelerated and increased the volume decline.

In this context, PostEurop members welcome the initiative of the ERGP to boost the discussions on the implementation of the Universal Service in the postal sector in view of the market developments through this public consultation. While it is pre-mature to give a final orientation on it, it is very important to see where we stand today after the gradual liberalisation of the market and to analyse what would be the best way to ensure a contemporary universal service in a market based environment.

2) Need to prevent social exclusion through universal service

The universal service remains relevant for social and economic inclusion of citizens and small businesses. Thus, the postal industry acknowledges the need of a balanced regulatory framework.

The common European minimum scope should be flexible enough to enable relaxation at national level and to take into account the local specificities. Indeed, obligations must correspond to a given moment and a given location to a social need. They are not static and must evolve as the society evolves (eg: rapid development of the digital society, ever increasing demand of stakeholders in the field of sustainable development and social responsibility of companies as well as regional and business development).

Moreover, as mentioned in Article 5.1 *“each Member State shall take steps to ensure that Universal Service meets the following requirements [...] It shall evolve in response to the technical economic and social environment and to the needs of users”*.

3) The sustainability of the universal service provision in the context of reduction in letter mail volumes.

Total postal traffic is declining in almost all European countries. Letter post items represent the major part of the postal market. The volumes of this segment of the market are declining throughout most EU Member States, decreasing between 10% and 20% for the period from 2008 to 2011.

At the same time, the e-commerce market is gathering pace resulting in a highly competitive delivery market with new service providers specializing in e-logistics, parcel and express operators and new worldwide active web-sites and market places. Postal operators are strongly trying to benefit from the e-commerce opportunity. However, the growth of parcels, self-developing in a very innovative and competitive environment, will not compensate mail decline everywhere.

Although, these are general trends throughout Europe, the situation in Member States varies greatly in terms of the degree of competition, e-substitution, digitalization and the maturity of e-commerce.

In a context that is characterized by volumes' decline and e-substitution, the maintenance of the same level of universal service obligations risks to hamper its sustainability particularly where the compensation, if any, is not proportionate to the burden put on the Universal Service Providers (USPs).

More regulatory flexibility is needed to safeguard the sustainability of the universal service. Relaxation of some obligations would allow the USPs to gradually reduce the net costs of the universal service obligations in line with the evolution of the real needs of users.

4) Conclusion

Taking into account market and consumer trends with declining letter mail volumes and changing communication behaviour, it seems to be reasonable for Member States to review and where appropriate to adjust their national universal service regulation. This in order to respond to the relevant country specificities and the needs of the citizens as it is guaranteed by the principle of subsidiarity. In this respect, the possibility to apply exemptions to some obligations at a national level should be considered.

In any case, it seems appropriate for all stakeholders to reflect on the EU regulatory framework, given the market evolution which occurred since 1997, by involving the European Commission, Member States, ERGP and postal operators.

References:

1) The study for the European Commission - WIK Consult 2013, Main developments in the postal sector 2010-2013, p. IX – on volume decline:

“In 2011, about 82 billion letter post items were delivered in the European Union (EU-28), compared to 97 billion items in 2007”, equaling a decline of 15% within 4 years.”

2) The study for the European Commission - WIK Consult 2013, Main developments in the postal sector 2010-2013, p. 339 – on possible options for the evolution of the EU rules on the postal sector:

“1.1.1 EU-wide principles could include affordability and ubiquity while allowing Member States to adapt parameters such as service quality (or related delivery frequency) to the needs of users.

1.1.2 Alternatively, EU-wide standards could require Member States to define the universal service obligation according to specified parameters (such as transit time targets or related delivery frequency) while allowing Member States to define the numerical values of such parameters”.

This position paper is supported by the following Public Postal Operators:

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