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EVALUATION

**of Directive 97/67/EC on common rules for the development of the internal market of
Community postal services and the improvement of quality of service amended by
Directives 2002/39/EC and 2008/6/EC**

(Postal Services Directive)

accompanying the

**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 2008/6/EC)**

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Glossary

Access points	Physical facilities, including letter boxes provided for the public either on the public highway or at the premises of the postal service provider(s), where postal items, such as letters and parcels, may be deposited with or collected from the postal network.
B2B	Business-to-business
B2C	Business-to-consumer
B2X	Business-to-everybody (consumers, businesses, government)
Bulk letters	Letters that are posted in significant quantity. Note that there is no legal definition of which number of letters constitute bulk mail.
Bulk mail	Physical mail that is commercial in nature, prepared in large volumes and mailed at reduced postage costs. Bulk mail may consist of letters, newsletters, pamphlets, and other similar products.
Bulk parcels	Parcels that are prepared and sent in significant quantity, such as those mailed by e-commerce operators. Note that there is no legal definition of which number of parcels constitute bulk parcels.
C2B	Consumer-to-business (mainly, returns from e-commerce)
C2C	Consumer-to-consumer
C2X	Consumer-to-everybody (consumers, businesses, government)
CAGR	Compound average growth rate.
CEN	Comité Européen de Normalisation – European Committee for Standardisation
CEP	Courier, express and parcels
Consolidator	Operator that collects postal items from different senders and inserts them into the postal network for sorting, transport and delivery
Clearance	The operation of collecting postal items by a postal service provider
Cross-border mail	Mail from or to another Member State or from or to a third country
D+1	Routing time where mail is delivered the first working day after posting
D+3	Routing time where mail is delivered the third working day after

	posting
Direct mail	Direct mail is a communication consisting solely of advertising, marketing or publicity material and comprising an identical message, except for the addressee's name, address as well as other modifications which do not alter the nature of the message, which is sent to a significant number of addressees. Bills, invoices, financial statements and other non-identical messages shall not be regarded as direct mail. A communication combining direct mail with other items within the same wrapping shall not be regarded as direct mail.
Distribution	The process from sorting at the distribution centre to delivery of postal items to their addressees.
Eurostat	Statistical Office of the European Communities
FSC	Fastest standard category
GDP	Gross domestic product
Item of correspondence	Communication in written form on any kind of physical medium to be conveyed and delivered at the address indicated by the sender on the item itself or on its wrapping. Books, catalogues, newspapers and periodicals shall not be regarded as items of correspondence.
National regulatory authority	The body or bodies, in each Member State, to which the Member State entrusts, inter alia, the regulatory functions falling within the scope of the Directive
Package	Also referred to as "packets", packages are postal items containing goods. These can be either parcels (up to 10kg) or 'small packages' which are E-format items conveyed in the letter post.
Postal item	An item addressed in the final form in which it is to be carried by a postal service provider. In addition to items of correspondence, such items also include for instance books, catalogues, newspapers, periodicals and postal parcels containing merchandise with or without commercial value.
Postal network	The system of organisation and resources of all kinds used by the universal service provider(s) for the purposes in particular of: <ul style="list-style-type: none"> - the clearance of postal items covered by a universal service obligation from access points throughout the territory, - the routing and handling of those items from the postal network access point to the distribution centre, - distribution to the addresses shown on items.
Postal services	Services involving the clearance, sorting, transport and distribution of postal items

Postal service provider	Undertaking that provides one or more postal services
PostEurop	Trade association representing European public postal operators (universal service providers)
Receiver	Also referred to as “recipient”, it is a natural or legal person to which a postal item is addressed. It is currently not defined in the EU legal texts.
Remuneration of International Mails Agreements (REIMS), INTERCONNECT Remuneration Agreement – Europe	The Remuneration of International Mails Agreements is the Terminal Dues framework developed by International Post Cooperation and its members since 1999. It complements the Terminal Dues framework of the Universal Postal Union. Recently it has been complemented by INTERCONNECT Remuneration Agreement – Europe which is the first multi-lateral Terminal Dues agreement covering both letters and parcels products and focusing on e-commerce. The agreement is signed by 24 designated postal operators, including all major European designated postal operators. One of the main objectives targeted under the INTERCONNECT Remuneration Agreement – Europe was to lower the Terminal Dues level in order for postal operators to be more competitive on the e-commerce market.
Reserved area	The reserved area means those parts of the letter mail market where the clearance, sorting, transport and delivery within certain weight and price limits was limited to the designated universal service provider.
Sender	A natural or legal person responsible for originating postal items
SME	Small and medium sized enterprises
SMMS	The Sustainability Measurement and Management System (SMMS) programme is the successor to the Environmental Measurement and Monitoring Programme (EMMS) by International Post Corporation.
Terminal dues	The remuneration of universal service providers for the distribution of incoming cross-border mail comprising postal items from another country
Transit time	Also called “routing time”, is a quality indicator measuring the number of working days elapsed between the date of deposit of a postal item with an access point and that of its delivery to the addressee.
Universal Postal Union	The Universal Postal Union is the United Nation’s specialised agency for the postal sector. The Universal Postal Union coordinates postal policies among member nations, in addition to the worldwide postal system and is a standard setter.

Universal service obligation	The totality of services and conditions a universal service provider is designated to provide and respect
Universal service provider	The public or private postal service provider providing a universal postal service or parts thereof to every citizens within a Member State, the identity of which has been notified to the Commission
VAT	Value added tax

1. INTRODUCTION

The EU postal services sector is a key enabler of the economy and trade, underpinning other sectors and contributing to the resilience of the EU economy. Companies of all sizes use it to build their business, supply goods and receive payments. All levels of government and public administrations rely on it for public communications. Vulnerable users and citizens in remote areas need it to remain connected to an increasingly digitalised economy. The postal services sector hence plays a key role in promoting social and economic cohesion and connecting EU citizens and businesses. In 2018 the sector employed around 1.5 million persons across the EU, among which an estimated 950 thousand in postal activities falling under the universal service obligation¹.

However, over the last two decades, the EU postal sector has been facing significant structural changes. Digital means of communication have been replacing paper-based ones, impacting demand for letters and leading to significantly lower volumes. At the same time, the increase in online shopping (and e-commerce in general) and the possibility of having goods delivered to one's home has increased the demand for parcels and packets delivery. Postal users' needs today are hence different from what they were 24 years ago when the first Postal Services Directive was adopted in 1997. These developments have created challenges and opportunities for the postal sector.

Article 23 of the Postal Services Directive (hereinafter the "Directive")² requires the European Commission ("Commission") to "submit a report to the European Parliament ("Parliament") and the Council on the application of the Directive, including appropriate information on developments in the postal services sector. The latest report³ was adopted by the Commission in November 2015 and concluded that the Directive was still fit for purpose. It nevertheless highlighted that close monitoring and further analysis were necessary as the postal services sector is evolving continuously and rapidly.

Considering the significant changes in the postal services sector and the changing needs of postal users, the Commission announced an evaluation of the Directive in its 2020 work programme. The objective is to assess whether the Directive is still fit for purpose and responds to the present and future needs of EU citizens and businesses and will continue to do so in the foreseeable future.

To this end the present evaluation examines the universal service obligation, its financing, the quality of services, designation of the universal service providers and the regulation of tariffs of universal services. It also examines the impact of the Directive on

¹ Eurostat (2021), annual detailed enterprise statistics for services.

² Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service amended by Directives 2002/39/EC with regard to the further opening to competition of Community postal services and 2008/6/EC with regard to the full accomplishment of the internal market of Community postal services

³ Report from the Commission to the European Parliament and the Council on the application of the Postal Services Directive, COM(2015)0568 final.

market opening and competition in the EU and national postal markets, as well as the level of harmonization achieved by the Directive.

The evaluation covers developments since the adoption of the last revision of the Directive in 2008 until 2019/20. It covers all the then 28 Member States⁴ although in some instances also the European Economic Area (EEA) countries are included. On occasion information and data refers to a limited sample of Member States.

The Directive has been evaluated against its general objectives to guarantee the provision of affordable, high-quality universal postal service to all users, a well-functioning and competitive internal market and the harmonisation of principles of regulating postal services. In line with Better Regulation principles, the effectiveness, efficiency, coherence, relevance and EU added value of the Directive have been assessed.

2. BACKGROUND

2.1 History of the Postal Services Directive

The Directive was adopted in 1997 to address the lack of harmonization of postal services at EU level which negatively impacted on cross-border communications which were vital to commercial and social life in the EU. The objectives of the EU postal policy were, on the one hand, the completion of the single market for postal services⁵⁶ through gradual and controlled liberalisation, a higher level of harmonisation and, on the other hand, the maintenance of a reliable, affordable and good-quality postal services available to all users across the EU.⁷

This Directive hence established a common level of universal service with **minimum requirements** regarding: (1) the scope of the universal service (e.g., what products to be covered, minimum delivery frequency requirements and density of the access point network); (2) quality of service standards (in particular as regards transit times and reliability of services), (3) a number of tariff principles for universal service (“price regulation”); and (4) the creation of independent national regulatory authorities. An essential element of the Directive was the start of a gradual and controlled liberalisation of the market and the establishment on an internal market for postal services.⁸ The Directive provided Member States with a certain margin of discretion to adapt their domestic postal services to their own specificities. Exceptions to the minimum requirements on frequency and point of delivery were allowed for in extraordinary circumstances or geographical conditions.

⁴ References to the “EU” in this document, unless otherwise specified, should be understood as EU28.

⁵ 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. Therefore, it was considered important to define a harmonised set of principles for the regulation of postal services.

⁶ Directive 97/67/EC, Recital 8.

⁷ 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.

⁸ Directive 97/67/EC, Recital 8 and Recital 2.

The next steps towards liberalisation were made by **Directive 2002/39/EC**, amending the 1997 Directive⁹. It further reduced the product scope and price of services that Member States could reserve to universal service providers.¹⁰ In particular, it put priority on measures designed to promote market entry, continuing the gradual establishment of competition in domestic and cross-border letter markets (especially through the transparent and non-discriminatory application of special tariffs offered by incumbent postal operators to senders of bulk mail). The Directive was set to expire on 31 December 2008, setting 2009 as the target date for full market opening.

A last set of amendments were adopted with the Directive 2008/6/EC¹¹ to achieve full market opening. The Directive removed the area of postal services that Member States could still reserve for the universal service provider (statutory monopoly) and provided for full liberalisation. The amendment set out an agreed deadline for full market opening by 31 December 2010 for 16 Member States¹² and 31 December 2012 for the remaining ones¹³.

2.2 Main provisions of the Directive

The below **table** sets out the main provisions of the Directive and explains how the provisions of the 1997 Directive have changed with the two subsequent amendments.

⁹ Directive 2002/39/EC of the European Parliament and of the Council of 10 June 2002 amending Directive 97/67/EC with regard to the further opening to competition of Community postal services.

¹⁰ Directive 2002/39/EC reduced the reserved area to postal items below 100 grams from 1/1/2003 and 50 grams from 1/1/2006. It also set a price limit to the public tariff for certain items of correspondence.

¹¹ Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services.

¹² Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Slovenia, Spain, Sweden and the United Kingdom.

¹³ Cyprus, Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania and Slovakia. Although Croatia formally joined the EU on 1 July 2013, its postal services sector was fully opened as of 1 January 2013.

Table 1 Evolution of the main provisions of the Directive

OBJECTIVES	PROVISIONS		
	1997 Directive	2002 Directive	2008 Directive
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Guarantee the sustainable provision of affordable, high-quality universal postal service to all users throughout the EU</p>	<p>Universal postal service for all users, comprising collection, sorting, transport, and distribution at least five working days per week of: (i) postal items (e.g., letters, parcels, catalogues, newspapers) weighing up to 2 kilograms and (ii) postal packages (e.g., parcels) up to 10 kilograms (which may be increased for parcels up to 20 kilograms) as well as services for registered items and insured items in both categories.</p>	<p>No change</p>	<p>No change</p>
	<p>Affordable, cost-oriented, transparent and non-discriminatory tariffs for universal services.</p>	<p>No change</p>	<p>No change</p>
	<p>Quality of service targets (transit time) for cross-border mail (85% for D+3, 97% for D+5 for the fastest standard category of service), Member States to set compatible national targets for domestic mail.</p>	<p>No change</p>	<p>No change</p>
	<p>Consumer protection measures, particularly with regard to complaints and redress procedures for user complaints in the universal service.</p>	<p>Consumer protection rules may be extended to all postal operators (not only the universal service provider).</p>	<p>Consumer protection rules extended to all postal operators and rules to encourage out-of-court dispute resolution schemes for disputes between users and postal operators.</p>
	<p>The financing of the universal service was done by reserving an area of the business exclusively to the</p>	<p>No change</p>	<p>Clarification that Member States may for the financing</p>

	designated provider, (financing was limited to the extent necessary to ensure the provision of the universal service).		of the net cost of the universal service that represents an unfair burden use a compensation fund in addition to the use of public funds. as well as the relevant conditions (notably: interchangeability)
	Requirement for Member States to ensure that the universal service is guaranteed and to notify the Commission of the designated universal service provider.	No change	Introduction of additional options to ensure the provision of universal services: (i) by market forces, i.e. the government does not appoint any universal service provider(s), but trusts that the providers in the market place are willing to provide universal services and that they do so in the most cost efficient way; and (ii) by public procurement. Possibility to designate several universal service providers.
Establish a well-functioning and competitive Internal Market for postal services	Clear limits for reserved services (i.e., letter products reserved for exclusive handling by the universal service provider).	Gradual reduction of the reserved area; tentative date for the full opening of the letter market.	Elimination of remaining reserved area; 31 December 2010 deadline for full letter market opening (derogation granted to 11 Member States, 31 December 2012).
	Transparent and separate cost accounting principles to be	No change	Measures preventing

	applied by universal service providers; separate accounts for reserved and non-reserved universal services, discouraging cross-subsidies from the reserved letter services to the competitive area.		discriminatory tariffs and cross-subsidization from universal services to non-universal services
	-	-	Introduction of the possibility for Member States to regulate access to elements of infrastructure or services of the universal service provider, in the interest of users and/or to promote competition.
Set harmonised principles for the regulation	Introduction of definitions to ensure harmonisation of concepts.	No change	Some definitions removed in order to adapt the open market environment.
	Introduction of the possibility for the European Committee for Standardisation to issue technical standards for greater inter-operability between postal networks, taking into account standardisation measures at international level such as those issued by the Universal Postal Union.	No change	No change
	Establishment of independent national regulatory authorities to ensure compliance with the Directive.	No change	Powers to request information and data from all postal operators (compliance with Directive and market monitoring).

Intervention logic

The Directive has three **main objectives**: (1) guaranteeing the sustainable provision of affordable, high-quality universal postal service to all users throughout the EU; (2) establishing a well-functioning and competitive internal market for postal services; and (3) harmonising principles for the regulation of postal services.

These objectives are linked to a set of **inputs** that also correspond to given articles of the Directive. Some of the **inputs** may link to more than one objective:

- the definition of the minimum scope of the common level of universal service (Article 3);
- the conditions of the provision of the universal service, in particular the possibility to designate universal service providers and to grant financial compensation for those providers (Articles 4 to 8);
- the setting and monitoring of certain quality requirements for the provision of the universal service and the establishment of complaint handling procedures (Articles 16 to 19);
- the regulation of tariffs for the universal service that should be affordable, cost-oriented, transparent and non-discriminatory (Articles 12 and 13);
- the reduction of entry barriers, such as defining conditions for general authorisation and individual licences, and the requirement for Member States to ensure transparent, non-discriminatory access conditions to certain elements of the postal infrastructure or services within the scope of the universal service (Articles 10 to 12);
- the development of technical standards (Article 20);
- the creation of common minimum definitions (Article 2);
- the establishment of national regulatory authorities to ensure compliance with the objectives of the Directive (Article 22).

As a result of the transposition and application of these inputs, the following **outputs** were expected:

- the provision of a minimum level of an affordable postal universal service offered at similar service levels to postal users across the EU;
- a universal service complying with harmonised quality requirements, and a better protection of the postal user's interests by requiring all providers to offer transparent, simple and inexpensive procedures for complaint resolution;
- the opening of postal markets to competition by facilitating entry and expansion of alternative providers and providing for conditions to establish a level playing field;
- postal services compliant with harmonised technical standards;
- harmonised concepts;
- the improvement of national regulatory oversight.

In turn, those outputs should lead to the following **results**:

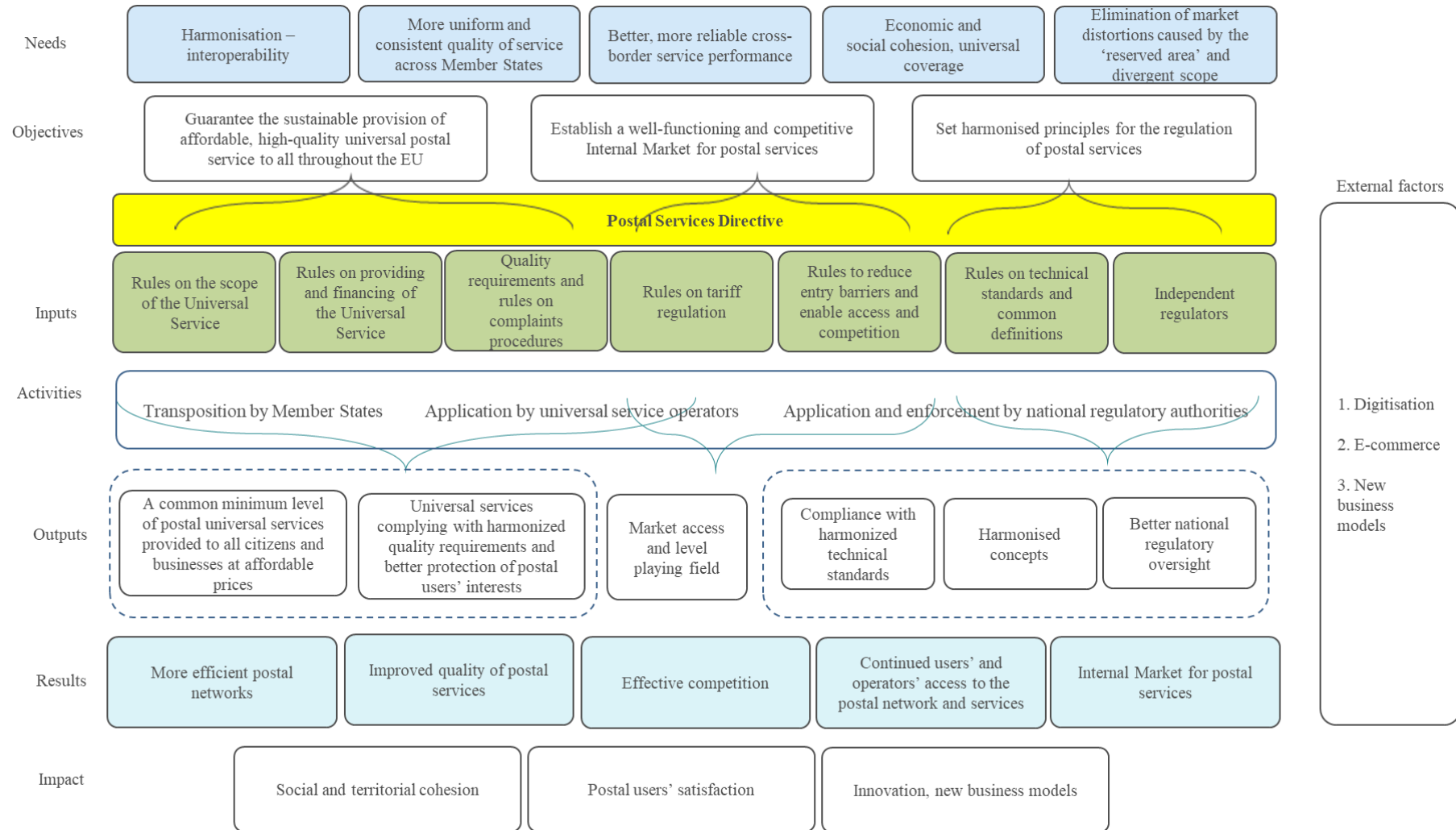
- more efficient postal networks; full market opening would result in a more cost-efficient use of the postal networks for the provision of affordable universal services;
- wider access for users and other postal operators to the postal infrastructure;
- effective competition as full market opening would enable competing postal operators to enter the former statutory monopoly market for letter mail services and compete at level playing field;
- improved quality of postal services through the quality requirements and increased innovation (e.g., track and trace) spurred by competition and technological developments;
- an Internal Market for postal services.

Finally, there are several external factors outside the remit of the Directive. These include digitisation, e-commerce and new business models. Moreover, the harmonisation in the EU following the Directive has the following broader **impact**:

- more social and territorial cohesion throughout the EU;
- increased postal users' satisfaction in the EU;
- innovation and development of new business models in the EU.

The figure below provides an overview of the intervention logic for the EU postal sector showing the expected sequence of general and specific objectives, inputs, outputs and the intended results and broader impact of the Directive.

Figure 1 The Intervention logic of the Directive



2.3 The Baseline

The baseline for this evaluation is the situation in 2008, the adoption of the 2008 amendment to the 1997 Directive¹⁴. There are several reasons why 2008 is chosen as the baseline instead of 1997, namely: a fundamental motive for the Directive was to open up the postal services sector fully and establish an internal postal services market. That only happened as of 2008 with the complete abolition of the statutory monopoly still prevailing in Member States with part of the letter mail services being “reserved” to universal service providers. The requirements regarding the universal service obligation have not changed since 1997 and the objectives of the Directive also remain the same. Events following 2008 therefore capture the changes that the Directive has brought over time.

Before discussing developments at the time of the baseline, it is necessary to consider the extent to which the key objectives from 1997 had been achieved in 2008. In 1997, postal services in many Member States were provided by inefficient loss-making postal entities with a lack of customer orientation and low and heterogeneous quality of services. Only a few Member States had abolished the letter monopoly/reserved area and opened up their letter mail segment to competition: Finland (1991) and Sweden (1992). The 1997 Directive introduced competition in a gradual and more harmonized manner in order to increase the quality of services, lower prices and encourage economic and employment growth. Following the 2002 amendment, most Member States partially opened their domestic markets by reducing the weight and price thresholds. United Kingdom (2006) and Germany (2008) proceeded to full market opening. In addition, all outgoing cross-border mail was opened to competition as of January 1, 2003.

Over the period 1998 to 2007, letter volumes increased by about 0.52 percent annually.¹⁵ Real prices of the most commonly used letter mail service increased on average by 0.48 percent per year¹⁶. This moderate price evolution changed after the financial crisis in 2008 when price increases started to accelerate. Profitability in this period improved for the wide majority of universal service providers.¹⁷ By 2006, 87 percent of Member States considered postal services affordable.¹⁸ Service quality improved considerably in some Member States between 2000 and 2003, while a few faced a deterioration of performance.¹⁹ By 2005, next day delivery had increased to exceed 90 percent of the mail

¹⁴ The reserved area of up to 50 grams accounted for between 70 percent to 85 percent of postal items – Commission Staff Working Document Accompanying document to the Proposal for a Directive of the European Parliament and of the Council amending Directive 97/67/EC, concerning the full accomplishment of the internal market of Community postal services, Impact Assessment, SEC(2006) 1291.

¹⁵ Based on raw data used in WIK (2021). Volumes started declining after 2007.

¹⁶ Based on raw data used in WIK (2021).

¹⁷ Universal Postal Union statistics, operating results, including all activities.

¹⁸ Special Eurobarometer 260 Services of general interest, July 2007.

http://ec.europa.eu/public_opinion/archives/ebs/ebs_260_en.pdf

¹⁹ Such deterioration was likely caused by less than optimal equipment and procedures. Cf. the French case described in section 5.2 (Q1), where investments in modernisation led to quality improvements during this period.

volume for domestic priority mail in more than half of the Member States.²⁰ The average quality of service remained stable between 2005 and 2008. Between 1997 and 2008, the Remuneration of International Mails Agreements played a relevant role in the substantial improvements in the cross-border quality services level²¹. Specifically, the cross-border quality service levels (transit time) between 1997 and 2008 increased from 83.5 percent to 94.6 percent of mail being delivered on time. Regarding regulatory harmonisation, between 1997 and 2008 the number of technical standards developed by the European Committee for Standardization was only eight compared to 35 standards developed after 2008. The lacking independence of some national regulatory authorities and the absence of regulatory harmonisation prior to 2007 was reported as major constraints on the attainment of an internal market for postal services.²² The first 10 years of application of the Directive had therefore coincided with volume increase, improved quality of service, real price decrease and the preservation of the universal service already prevailing across the EU. The development of competition and the level of harmonisation in the internal market were, however, faulting.

Around 2008, the EU postal sector started to undergo significant and wide-ranging change.²³ The most important drivers of change were gradual regulatory market opening, technological development which lead to the rapid growth and falling costs of other means of communication (in particular digitisation, e-mail, mobile telephony and internet), new automation technology, and new market developments with growing parcel volumes and increasingly demanding owners/shareholders of postal operators. This put increasing pressure on the postal sector operators.

Although there was emerging competition in many national markets, national universal service providers were still the key players with large shares of the domestic letter mail segment. By that time, the impact of the then existing Directive on the level of competition in letter mail markets was very limited, in particular in those Member States which had not yet opened their letter mail market.

The situation was substantially different for the delivery of parcels. Although parcels form part of the universal service obligation up to a certain weight limit, the parcel delivery segment had never been part of a statutory monopoly and had therefore seen the entry of a number of courier and express service operators.²⁴ The parcel delivery segment was at the time already more heterogeneous and complex than the letter mail segment²⁵

²⁰ See Commission Staff Working Document on the Evaluation of the Performance of Network Industries Providing Services of General Economic Interest, SEC(2005) 1781, Brussels, 20.12.2005, p. 12.

²¹ The Remuneration of International Mails Agreements have two core principles: (a) Payment of the Terminal Dues will only be made in full if a targeted level of quality of service is met. (b) Payments to delivering posts, known as Terminal Dues, must be linked to actual costs and the receiving country's domestic postal rates are accepted as a proxy for costs. Therefore, all REIMS agreements provide a system for intercompany pricing based on cost and quality of service for postal operators.

²² *Commission Staff Working Paper, Annex to the Report on the application of the Postal Directive*, SEC(2005) 388 Brussels, 23.3.2005, p. 10.

²³ See Accompanying Document to the Proposal for a Directive amending Directive 97/67/EC, concerning the full accomplishment of the internal market of Community postal services - Impact Assessment {COM(2006) 594 final} {SEC(2006) 1292}

²⁴ See recital 18 of the 1997 Directive that relates to the essential difference between express mail and the universal service that lies in the value added (whatever form it takes) provided by the express services

The impact assessment accompanying the 2008 amendment of the Directive mentioned that although some Member States had taken initial steps to redefine the universal service, EU consumers were overall satisfied with the affordability, accessibility and quality of postal services.²⁶

However, due to Member States opening up their postal markets at different speeds and some implementing below the minimum obligations set by the Directive (particularly in terms of frequency and quality of service), there was increasingly a fragmented market for postal services in the EU. Moreover, the implementation of the provisions in the Directive relating to complaint and redress had not been fully satisfactory for all consumers. In practice there was still discontent about handling of postal complaints.²⁷

The below table 2 sets out the expected outcome of the 2008 Directive with regard to certain main areas. The expected positive outcomes are highlighted in the table, but also the risk of facing negative ones, which is consistent with the analysis carried out in the impact assessment that preceded the 2008 amendment. The negative impacts were however deemed at the time to be less likely or less substantial than the expected positive impacts.

Table 2 Expected outcome of the Directive since the last revision in 2008

Provision	Expected outcome
Abolition of the reserved area and possibility of alternative financing mechanisms (State Aids, compensation funds)	Positive
	<ul style="list-style-type: none"> • More effective competition in the letter mail segment can lead to lower prices, better quality of service and more efficient national postal operators. • Permitting a broad range of financing mechanisms can ensure the maintenance of universal services.
	Negative
<ul style="list-style-type: none"> • Competitive pressure may lead to the incumbent limiting loss-making national universal services provided in parallel to the EU universal service obligations, which could in turn have an impact on social and territorial cohesion. 	
Universal service	Positive

and perceived by customers. The fact that express services form part of the postal sector has recently been reconfirmed by the European Court of Justice in Case C-259/16 (Confetra). Express and courier services provide an added value, clearly distinguishable from the universal service, for which postal users are prepared to pay a different price. Still, this does not per se exclude that express and courier providers may, if they fulfil the material conditions set out in the Directive, provide services within the scope of the universal service.

²⁵ See Commission Staff Working Document accompanying the 4th application report on the Postal Services Directive, COM(2008) 844.

²⁶ See Accompanying Document to the Proposal for a Directive amending Directive 97/67/EC, concerning the full accomplishment of the internal market of Community postal services - Impact Assessment, SEC(2006) 1291/2.

²⁷ See Commission Staff Working Document, SEC(2006) 1293, Accompanying document to the Report from the Commission to the European Parliament and the Council on the Application of the Postal Directive, 2006.

scope: no modification to SMEs and consumers' access to basic products, and existing flexibility for Member States	<ul style="list-style-type: none"> • Citizens and SMEs can have access to basic postal products. • Flexibility to adapt the scope of national universal service in light of market changes can lead to closer alignment of prices to costs, and in turn of users' needs to willingness to pay for the service.
	<p>Negative</p> <ul style="list-style-type: none"> • Too much, or inconsistent, specification of prices and service obligations may result in inefficient market intervention and the need for complex supervision/regulation at national level.
Universal service standards: no modification in current level of minimum harmonisation (5 days/week collection and delivery frequency of postal items, and uniform tariff only permitted for consumer/single-piece items)	<p>Positive</p> <ul style="list-style-type: none"> • Can contribute to fostering efficient market entry.
	<p>Negative</p> <ul style="list-style-type: none"> • In some instances may be inconsistent with the principle of "least market intervention" as it authorises ex-ante regulation on uniform tariffs where the same would probably be achieved through a commercial decision-making.
Obliging national regulatory authority to identify the essential means to assess if access to infrastructure/network is necessary, and maintaining current rules on non-discriminatory access	<p>Positive</p> <ul style="list-style-type: none"> • Can ensure business and consumer protection. • Can allow for risks of distortion to be checked at Member State level. • Can enable transparency of access costs. • The market place is allowed to determine the appropriate competitive model (either access to incumbent's network or building alternative networks). • Flexibility can allow for zonal pricing.
	<p>Negative</p> <ul style="list-style-type: none"> • Downstream access tariffs may not entirely cover upstream fixed costs. • May create some incremental costs of opening up these facilities that will need to be shared (by users). • Lower prices offered by competitors may result in substantial savings only to higher volume mailers.

3. STATE OF PLAY

3.1 Implementation of the Directive

Member States were required to transpose the 2008 Directive by 31 December 2010. Some Member States were, however, given until 31 December 2012 to fully liberalise the postal sector. Complete transposition across the EU was there only achieved in January 2013.

Since 2008 the Commission has initiated infringement proceedings against two Member States, Belgium and Croatia, for inaccurate transposition. Furthermore, infringement procedures were started against ten Member States²⁸ for non-communication of transposition measures. All procedures were closed before reaching the Court of Justice of the EU as Member States either conformed or notified the transposition measures.

Until today 11 Member States have used the possibility of derogating from minimum requirements on frequency and delivery points. 11 Member States have also departed from the minimum level of requirements regarding quality of services.

Based on Article 22 of the Directive, the Commission established the European Regulators Group for Postal Services in 2010²⁹. This Group serves as a body for reflection, discussion and advice to the Commission in the postal services field. Its task is to facilitate consultation, coordination and cooperation among the independent national regulatory authorities, and between the national regulatory authorities and the Commission with a view to consolidating the internal market for postal services and ensuring the consistent application of the Directive in all Member States.

3.2 Current trends in the postal services market

Size of the postal services sector

Since 2008 there has been an average yearly **letter mail decline** of -4.9 percent in the EU (See Figure 8 in Annex 4). This decline is widespread and occurring in almost all Member States. The contraction of the economy due to the COVID-19 pandemic, where letter mail volumes dropped between -12 and -26 percent³⁰ has accelerated the structural letter mail volume decline³¹. Member States with strong e-government initiatives such as, for example, Denmark and Estonia have experienced a steeper and steadier decrease in letter mail volume per capita than those where the level of digitisation of the government is relatively lower.

In contrast, **parcel** delivery services have been growing because of the significant increase in e-commerce. The cross-border share of parcel deliveries represents almost 24 percent of total online sales in Europe. On average, parcel delivery has grown by an estimated 9 percent³² per year ever since 2008. This growth notwithstanding, cross-border e-commerce delivery may still raise issues from a consumer perspective. Globally, the average growth in parcel volumes in the second quarter of 2020, during the COVID-19 lockdown, was 43 percent. The trend has continued throughout the rest of the year. At the same time, international (extra EU) mail fell by 27 percent, especially flows from China. Before the pandemic, global online sales were predicted to roughly double

²⁸ Cyprus, the Czech Republic, Finland, Ireland, Italy, Latvia, Poland, Portugal, Romania and the United Kingdom.

²⁹ Commission Decision of 10 August 2010, OJ C217/7 of 11.08.2010.

³⁰ Volume change between first half-year 2019 and first half-year 2020 of eight universal service providers in the EU. Source: European Regulators Group for Postal Services, PL II (20) 26 Report on the consequences of Covid-19 on postal sector, pp.11-12.

³¹ European Regulators Group for Postal Services, PL II (19) 37, Report on core indicators; and WIK (2021), User Needs in the Postal Sector and Evaluation of the Regulatory Framework, p.19.

³² Commission Postal Statistics. Based on volume trend of universal service providers.

between 2019 and 2024, but recent trends suggest the COVID-19 crisis will push this timeline forward and a stronger growth of intra-community parcel traffic than of incoming international traffic is likely.

These two major developments are expected to continue and intensify over the coming years. If the developments of the recent years continue to the same extent, the EU letter mail segment will lose around 12 percent of revenue and 32 percent in volume by 2025. At the same time, the revenue in the EU parcel segment will more than double and volumes will increase by around 46 percent.³³

Structure of the market

The **letter mail segment is highly concentrated** and in certain countries there is only one single letter services provider. In 2018, 15 out of 28 universal service providers had market shares above 95 percent and only four out of 28 had market shares below 80 percent³⁴.

Most of the alternative postal operators are active only on the parcel and express markets. Many are growing thanks to the dynamic competitive market. The universal service providers have much lower market shares in the parcel segment than in the letter segment, with an average around 28 percent for the period 2014 to 2018. The dynamics of the letter segment is very different.

Price developments and quality of service

Figure 2 Real prices of domestic parcels and letters and transit times for letters, annual percentage differences 2012-2018



Source: EC postal statistics

Domestic prices for universal letter mail have **increased** constantly in real terms since the major drop in volumes in connection with the financial crisis in 2007, but the largest increase occurred **after 2014**. Universal service providers adjusted their pricing strategy to keep letter mail revenues stable in an environment characterised by an accelerated volume decline. For universal service **parcel** delivery there was a **moderate real price increase** in this period. More recent information from the web tool on cross-border parcel prices³⁵ covering the prices for 1400 of parcel and express services from more than 378 operators shows a marginal increase overall for parcels, and for certain operators a small price decrease between 2019 and 2020.

³³ WIK (2021), page 81.

³⁴ WIK (2021), pp.31-36.

³⁵ To improve price transparency, the regulation on cross-border delivery services requires that certain postal operators communicate the domestic and cross-border prices for up to 15 basic parcel delivery products and the Commission publishes those prices on its website:

https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery/public-tariffs-cross-border_en

Until 2008 service levels for letter mail had **improved** in terms of domestic and cross-border delivery and transit time. This was particularly evident in the case of cross-border delivery of letter mail. The percentage of letters delivered on time³⁶ however started to drop right from 2008. In the case of domestic delivery of letter mail, the number of universal service providers who achieved their targets reached its maximum in 2013, when targets were exceeded for priority letters in most Member States and for non-priority mail in virtually all Member States³⁷. This number has been **decreasing** constantly since then.

The profitability of universal service providers

The postal business model essentially relies on delivering large volumes of small items. As letter mail volumes fall, the **unitary cost of delivery** increases. It also pushes up the cost of the universal service obligation, making universal service providers look for ways to increase efficiency and improve customer-oriented solutions. They maintain their profitability by cutting (mainly labour) costs, increasing productivity through technological innovation (for example automated sorting systems), and/or increasing prices.

With only a few exceptions, letter mail operations have been **profitable** for universal service providers throughout the period 1998 to 2017, while profit margins have on average declined since 2007/08, with decline starting even earlier for some postal operators.³⁸ With few exceptions, universal service providers report positive earnings before interest and taxes, (EBIT) margins up to 5 percent, some even higher than 10 percent (e.g., in Belgium, Cyprus, Netherlands and Portugal) in the period 2013-2016.^{39,40}

Employment

As the postal sector is very labour-intensive, with rising labour costs across Europe, significant restructuring (including job losses but also job creation) has taken place in several Member States. According to the latest available data by Eurostat, the total employment related to activities falling under the universal service obligation has been **decreasing** since 2011, while the number of persons employed for other postal and courier activities has been increasing, in particular since 2014.⁴¹ The Eurostat data suggests that the total number of persons employed in other postal and courier activities is almost equal to the number of persons employed for postal universal service activities. In other words, the job creation for parcel activities at other operators seems to **compensate** for the job losses at universal service providers.

As regards the quality of employment, Copenhagen Economics reports that an increase in new and more flexible employment models has been observed, as well as models

³⁶ According to the speed of delivery paid for.

³⁷ Commission Staff Working Document accompanying the Report from the Commission to the European Parliament and the Council on the application of the Postal Services Directive, p.78, SWD(2015) 207 final.

³⁸ WIK (2021), pp. 23-24.

³⁹ WIK (2021), p. 212.

⁴⁰ Copenhagen Economics (2010), p 47.

⁴¹ Eurostat (2021), annual detailed enterprise statistics for services

building on outsourcing (subcontracted workers and self-employment), which are used by the majority of universal service providers. Second, there have been changes in working conditions with the introduction of new wage structure (e.g. performance pay).⁴² More detailed information is available in chapter 1.6 (Employment).

Stakeholders that responded to the Commission’s consultation have expressed mixed views about employment developments in the postal sector. While some argue that market opening has meant employment cuts at universal service providers and a deterioration of working conditions,⁴³ others argue that it has also partly facilitated the creation of new jobs by new operators.⁴⁴

Environment

Between 2008 and 2020, a majority of universal service providers in the EU undertook measures to limit the negative environmental impacts of postal service provision. The most common measures implemented were measures to reduce the energy consumption of buildings, CO₂ emissions of vehicles, improve the performance of the transport fleet by eco-driving schemes and use bio fuels.⁴⁵

The 2020 Postal Sector Sustainability Report indicates that **carbon efficiency** of letter mail delivery has **decreased** over the last seven years, albeit unevenly, while the CO₂ efficiency for parcels has **increased**. Given the fact that most of the reporting operators are EU universal service providers, this may be related to the compulsory minimum frequency of delivery of 5 days a week, which, with fewer letter mail items to deliver, may lead to inefficiencies both in terms of cost and CO₂ emissions. This is a preliminary assumption that would merit to be looked into further and be substantiated by additional data.

Table 3 Evolution of the carbon-efficiency for letter and parcel delivery between 2013 and 2019

Delivery efficiency	2013	2014	2015	2016	2017	2018	2019	Target 2025
Letter mail (grams CO ₂ per item)	37.5	38.1	38.7	38.8	38.1	38.9	40.1	30.0
Parcel (grams CO ₂ per item)	539.0	495.0	485.2	474.3	466.0	481.9	496.2	431.2

Source, IPC, <https://www.ipc.be/-/media/documents/public/sustainability/reports/ipc-postal-sector-sustainability-results-2020.pdf>

⁴² Copenhagen Economics (2018), p. 151-156.

⁴³ <https://www.uni-europa.org/2020/11/postal-trade-unions-respond-to-the-consultation-on-the-postal-services-directive/>

⁴⁴ 2020 Public consultation on the evaluation of the Postal Services Directive. See summary in Annex 2.

⁴⁵ Copenhagen Economics (2010), Main developments in the postal sector (2008–2010); Copenhagen Economics (2018).

Several challenges increasingly affect the delivery industry⁴⁶:

- rising parcel volumes pose a challenge on carriers regarding the carbon footprint of delivery;
- last-mile delivery contributes to congestion and local air pollution, as urban freight is responsible for up to 50% of urban NOx emissions;
- traffic is also the main cause of local noise pollution, which can cause a variety of health problems.

Non-universal service providers⁴⁷ have also increasingly acted to reduce the environmental effects of parcel delivery due to growing e-commerce. Measures focused on lowering the environmental effects of cross-border and domestic parcel delivery, mainly by improving fuel and network efficiency, and by introducing alternative vehicles and fuels.⁴⁸

4. METHOD

4.1 Short description of methodology

A number of external support studies served as input to this evaluation prepared by the Commission. No modelling was carried out, but information and evidence was gathered and assessed. The present evaluation covers the time period 2008 until 2020.

External studies

The Commission commissioned a number of external studies, among which:⁴⁹

- Study on the *Main Developments in the Postal Sector 2013-2016* carried out by Copenhagen Economics (Copenhagen Economics/CE (2018)). It included extensive data collection based on literature review and stakeholder consultation by means of surveys and interviews.
- Study on *User Needs in the Postal Sector* carried out by WIK Consult (WIK (2021)). The study looks at the changing societal and user needs related to postal services, and included a systematic review of 64 user needs surveys in 16 Member States. It also incorporated the results of a dedicated online stakeholder survey that collected 418 responses, of which 44 from regulators, 44 from operators, and 331 from postal users. It also provided a first attempt to evaluate the main provisions of the directive.
- Study on *International Postal Services, Remuneration and Regulation (2011-2020)* carried out by WIK Consult (WIK (2020)) focused on how the global system for terminal dues (fees that postal operators charge each other for delivery of international letters) were likely to affect the market for international postal services.

⁴⁶ WIK (2019) pp 273-286.

⁴⁷ These include courier, express and parcel services providers.

⁴⁸ WIK (2019), p.349.

⁴⁹ https://ec.europa.eu/growth/sectors/postal-services/studies_en

- Study on the *Development of cross-border e-commerce through parcel delivery (2013-2017)* carried out by WIK Consult (WIK (2019)) explored trends in the supply of and demand for delivery solutions in the context of cross-border e-commerce.

These studies were presented at conferences where stakeholders could also discuss the main findings.

Stakeholder consultations

The Commission launched the evaluation on the Directive with the publication of the **roadmap** in March 2020. In total, 22 comments on the roadmap were received, which were taken into account in the following steps.⁵⁰

The Commission also organised a stakeholder consultation, in accordance with a consultation strategy established at the beginning of the evaluation process. A 16-week online **public consultation** took place between 13 July and 9 November 2020. There were only 119 responses to the consultation. That puts a clear limitation to the conclusion that can be drawn from it. Evidence from the WIK (2021) online stakeholder survey has therefore been used to complement, where possible, the limited information obtained through the public consultation. The contributions and a factual summary report of the main points raised were published on the Better Regulation Portal.

Other **consultations** included:

- meetings of the Postal Directive Committee⁵¹, consisting of representatives of Member States and national regulatory authorities, which was established by the Directive; The Postal Directive Committee has discussed the review of the Directive based on specific questions tabled by the Commission at six dedicated meetings (on 3/12/2018, 3/6/2018, 3/6/2019, 4/12/2019, 6/6/2020 and 1/12/2020);
- joint contributions from the Social Partners at the European Sectorial Social Dialogue Committee for the postal sector on 6 December 2019⁵², and on 13 November 2020.⁵³

Input from the European Regulators Group for Postal Services

The European Regulators Group for Postal Services advises and assists the Commission in consolidating the internal market for postal services⁵⁴. It also provided useful input to the consultation with annual report on core indicators for monitoring the European Postal markets, annual report on quality of services, reports on, among others, cross-subsidisation practices and network developments.

⁵⁰ <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11965-Report-on-the-Application-and-Evaluation-of-the-Postal-Services-Directive>

⁵¹ The Postal Directive Committee was formed by the Directive in order to assist the Commission in its implementation. It is composed of representatives of Member States' ministries and regulatory bodies in charge with postal services.

⁵² https://www.uni-europa.org/wp-content/uploads/2019/12/JointStatement_PostalDirectiveReview_PostSDC_20191206.pdf

⁵³ <https://ec.europa.eu/social/main.jsp?catId=521&langId=en&agreementId=5693http>

⁵⁴ See Article 1 lit. a of Commission Decision of 10 August 2010 establishing the European Regulators Group for Postal Services (OJ C 217/7 of 11.8.2010)

Other sources

The present evaluation also incorporates information on the implementation of the Directive and trends affecting the main indicators based on the following sources:

- the Commission’s postal statistics database (2014 to 2019) and the Universal Postal Union statistical data base (2008 to 2018);
- the national regulators’ statistical reports;
- previous five application reports on the implementation of the Directive;
- study on “Postal services in the EU” commissioned by the European Parliament (TRAN Committee) in 2019.⁵⁵

4.2 Limitations and robustness of findings

The following **limitations** should be taken into account:

- the Commission’s public consultation did not produce the expected results in terms of participation and can therefore not be used to draw any firm conclusion, in particular with regard to user needs and satisfaction;
- the evaluation suffers from a substantial lack of quantitative data. Postal operators often keep their business related data confidential, in particular financial data or volumes of the universal service. The evidence base underpinning WIK (2021) builds mainly on qualitative research: information collection and review, desk research and stakeholder interaction. There was no quantitative work carried out, including data gathering and modelling; Moreover, the surveys and consultations are based on a limited number of responses;
- the reports prepared by the European Regulators Group for Postal Services depend on the replies and data available from national regulatory authorities⁵⁶. These data are often partial in coverage and suffer from diverging interpretation;
- limited information is available on the net cost of the universal service obligation;
- disaggregation of data between parcels and letters is sometimes artificial as parcels can be delivered under a letter format and are therefore counted as letters. Market data and statistics on letters and parcels is often reported on together and not separately, This affects the possibility to differentiate between the two segments;
- the data for the baseline is limited. This concerns in particular the data for cost-benefit analysis, where time series data of the indicators (relevant costs of regulators and operators) is not available;
- there are generally no quantifications (or estimates of monetary values) available as concerns societal benefits of the universal service. Publicly available data on the costs of various regulatory aspects are used in this evaluation, and opinions from stakeholders provide quantitative, where possible, as well as qualitative input on the cost amounts induced by the Directive.

The Commission uses the work of the national regulatory authorities for its own data publication. However, a lack of consistent data on regular variables such as volumes, prices or employment continues to prevail. The Directive does not allow for the

⁵⁵ [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/629201/IPOL_STU\(2019\)629201_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/629201/IPOL_STU(2019)629201_EN.pdf)

⁵⁶ https://ec.europa.eu/growth/sectors/postal-services/ergp_en

collection of a harmonised set of data. Further co-ordination of such data collection within the European Regulators Group for Postal Services would be desirable. The Regulation on cross-border parcel delivery services requires parcel delivery service providers to report certain key information about their activities including turnover, volumes, and staffing to the national regulatory authority where they are established. There are no similar requirements for the letter market. In addition, there are usually no quantifications available as concerns societal benefits. Such issues can partly be addressed through more regular stakeholder surveys.

More detailed information on the methodology and its limitations is available in Annex 3.

5. ANALYSIS AND ANSWERS TO THE EVALUATION QUESTIONS

5.1 Effectiveness

Q1: Has the Directive ensured the provision of a postal universal service available at all points across the EU territory, at affordable prices and specified quality?

The Directive has contributed to maintaining the provision of universal postal services nationwide in each Member State. However, in recent years, Member States have increasingly reduced the scope of the universal service and extended the scope of derogations allowed by the Directive, which indicates that requirements in the Directive are not always aligned with market expectations (i.e., expectations of users and operators). While adaptations to the scope through the use of derogations may have been an expected outcome, the increase in the extent of derogations was not. The Directive has also triggered substantial improvements in quality of service (transit time) compared to 1997, but was not effective enough to prevent a deterioration of cross-border transit time performance after the 2008 baseline. In this regard the Directive has only partly delivered on what it was expected to achieve, i.e., a permanent improvement of cross-border quality of service. While in the letter mail segment relevant price increases took place, the tariff provisions seems to have contributed to avoiding even steeper increases, ensuring cost-orientation, sustainability and affordability.

Scope of minimum universal service requirements

The 1997 Directive did not substantially alter the existing national requirements in relation to the universal service obligation. It simply harmonised a minimum level of universal services obligations leaving Member States with the possibility to regulate other universal services at national level (for e.g., newspapers or magazines).⁵⁷ The level of harmonisation and the scope of harmonised products and services has not changed with the subsequent amendments to the 1997 Directive.

The Directive requires that universal service obligations must evolve in response to the technical, economic and social context and the needs of users. A significant number of Member States have used the flexibility offered by the Directive by taking into account the relevant factors, not only of a geographical nature⁵⁸, but also those that relate to the changing needs of the public as a result of new electronic means of communication and the need to ensure the economic viability of the service⁵⁹ to adjust the universal service obligation. This was an expected outcome stemming from the flexibility provided by the

⁵⁷ For an overview of these kind of other services see WIK (2021), p.182. Note that while newspapers are postal items they are not necessarily part of the universal service scope; their delivery may also be a distinct Service of General Economic Interest.

⁵⁸ Note that these factors vary from one Member State to the other and within one and the same Member State.

⁵⁹ Without a sustainable and economically viable universal service the realistic possibility of providing the universal service as such would be lost. Recitals 11 and 12 of Directive 2008/6/EC, which respectively refer to 'the fundamental objective of safeguarding the sustainable provision of a universal service' and 'long-term sustainability in the new market conditions'.

Directive. Changing user (i.e., business and bulk mailers, individual users, consolidators, receivers) needs have been the starting point for any adjustment of the universal service by Member States. Any derogation is generally preceded by an in-depth analysis of user needs⁶⁰ carried out by national regulatory authorities (and sometimes also by the universal service provider) before it is granted, and this is followed by a careful monitoring of the implementation to ascertain that the requirements of all user groups are satisfied.

The letter mail segment of the postal sector was subject to a legal monopoly until 2013, while parcel delivery has always been open to competition. The continuous decline in letter mail volumes has raised concerns about what the universal service should comprise. In some Member States this has led to changes in national postal legislation and reduced universal service obligations to reflect changing postal user needs.

Product scope

Basic domestic letter mail, registered mail, insured mail, basic domestic parcel post, and cross border letter mail and parcels are generally included within the universal service obligation. However, there are Member States, such as the Czech Republic, Finland or the Netherlands, where the scope is more limited and only single-piece mail and parcels are ensured as a universal service. The status of newspapers and periodicals as universal or non-universal service remains diverse among Member States. Compared to the baseline the level of heterogeneity in product scope of the universal service has remained very similar; as shown by Copenhagen Economics⁶¹ there have been only very minor changes in relation to the products under the universal service scope in 2008; at the same time, there is no indication that the scope will converge more among Member States.⁶²

There has been a trend in recent years to reduce the scope of services ensured as universal services. The European Regulators Group for Postal Services has reported that only half of Member States ensure bulk letters (that were originally supposed to be part of the universal service⁶³) as a universal service, and in about 9 Member States direct mail falls outside the scope of universal service⁶⁴. A wider scope of universal services has been maintained mainly in Member States where the decline of letter mail volumes has been relatively low. The divergences in the scope of the universal service are to be expected given the country-specific differences regarding broadband coverage, digitalisation and e-government initiatives. There is no evidence or complaints that the existing divergences have resulted in any significant issues with respect to the delivery of cross-border letter mail⁶⁵. This is also the conclusion of WIK which finds that divergences have not caused major problems in the past.⁶⁶ Expectations in 2008 were

⁶⁰ Please see the Sub-section on “frequency of delivery and collection” for further evidence.

⁶¹ Copenhagen Economics (2018), table 30, p. 189.

⁶² Compare the divergences among the Member States as evidenced by the study WIK (2006), Main developments in the postal sector, 2004–2006, p. 44ff.

⁶³ Note that these are sent by business users that dispose of a certain bargaining power in quantities; consequently they are in principle subject to discounts.

⁶⁴ European Regulators Group for Postal Services (20) 23, Report on postal core indicators.

⁶⁵ In accordance with Article 3(7) the universal service as defined in this Article shall cover both national and cross-border services.

⁶⁶ WIK (2021), p. 329.

also that there would be a positive economic impact if Member States have the possibility to adapt the scope in light of market changes.

Beyond the basic universal service, universal service providers increasingly offer an additional range of services/products that are further differentiated and addressed to specified user needs. In particular in the context of e-commerce, providers offer specific services/products for business senders which are commonplace in the market (e.g., track and trace).⁶⁷ This development seems predominantly triggered by fierce competitive pressure in the parcel delivery segment, especially in relation to e-commerce delivery which has significantly increased during the last five years⁶⁸ in all Member States.⁶⁹

The intense and dynamic competition in the parcel delivery segment raises the question whether it has been necessary to keep parcel delivery in the scope of the universal service or whether postal users could have been equally served at the same (or lower) price without a universal service obligation.⁷⁰ Available evidence suggests that the response may differ depending on the Member State (or indeed part of Member State) and depending on whether one is considering business to business parcels, business to consumer parcels or consumer sent parcels. The majority of business to business parcels and business to consumer parcels are bulk parcels (representing the vast majority of all parcels sent), while consumer sent parcels are single piece (representing only a negligible part of the overall parcel delivery segment).

Available evidence suggests that the majority of businesses have had and still have many alternatives to the universal service provider for the provision of parcel delivery services, especially in recent years, and can choose from more than 10 parcel delivery operators.⁷¹ The average number of operators per country serving this customer segment has almost doubled compared to 2012.⁷² One study also suggests that e-commerce shoppers in a sample of eight Member States had access to parcel delivery to the home address irrespective of where they lived. Moreover, in nearly all markets the delivery prices and services levels were the same irrespective of the e-shopper's location.⁷³ One tentative conclusion to be drawn from this is that having kept business to business parcels and business to consumer parcels within the scope of the universal service may not have been optimal from an effectiveness point of view. The fact that many Member States⁷⁴ have

⁶⁷ In 19 Member States universal service parcels include tracking, albeit this is not required by the directive and national legislation – see WIK (2019), p. 54.

⁶⁸ Global B2C e-commerce is estimated to have tripled between 2014 and 2019. Cf WIK “International Postal Service, Remuneration and Regulation” (2020), p. 46.

⁶⁹ The volume of e-commerce has increased by 10 percent in all Member States on average, and more in Member States with less developed e-commerce markets – see WIK (2019), p. 47.

⁷⁰ See also e.g., WIK (2019), p. 300: “*performance of delivery markets has greatly improved in response to market forces, and therefore we do not see a need to establish or increase the service levels required for universal service by national postal legislation.*” Several stakeholders doubt that there is a market failure with respect to parcel, see e.g., POSTEUROP submission to the public consultation; see also Copenhagen Economics, 2019, Additional EU Mail and Parcel Regulation: What evidence to look for?, p. 6.

⁷¹ E.g., Copenhagen Economics (2020), p.7.

⁷² E.g., Copenhagen Economics (2020), p.57.

⁷³ E.g., Copenhagen Economics (2020), p.40.

⁷⁴ E.g., European Regulators Group for Postal Services PL II (20) 23, p.120.

excluded bulk parcels from the scope of the universal service corroborates this conclusion.

The question whether it was necessary to keep consumer sent parcels within the universal service obligation appears to generate a different answer. Available evidence suggests that there have been (and still are) individual consumers in some Member States, or parts of Member States, that were not aware (and may still not be aware) of the variety of parcel delivery operators available. They have therefore relied on the universal service provider for parcel delivery. There are consumers that relied on the universal service provider out of convenience, as it is the most familiar and hence the easier, "simple" option available. For all these consumers there is a good base to argue that it has been effective to have at least single piece parcels within the universal service obligation. This has also kept prices affordable as parcels that fall within the universal service obligation have benefitted from a VAT exemption and have been subject to price control under the Directive's tariff rules.

Available evidence has not allowed this evaluation to conclude on this topic.

Frequency of delivery and collection

Within the reference period all Member States in general complied with the minimum requirements of collection and delivery at least five days a week, bearing in mind that the extent of derogations in relation to delivery frequency has increased (see below). In 2008 11 Member States even had a six-day frequency.⁷⁵ In 2019 only three Member States exceeded the minimum collection/delivery frequency and have a six-day collection/delivery (i.e., France, Germany and Malta).

The Directive provides for two types of exceptions to the minimum requirement: first, the derogation from the five-day delivery principle for exceptional geographical circumstances and, second, one concerning the modalities of distribution, which must in principle take place at the home of any natural or legal person⁷⁶.

Compared to 2008, the number of Member States that have granted derogations from the five day delivery frequency has remained stable while the extent of derogations related to delivery frequency has increased during this period.

⁷⁵ Ecorys, 2008, Main developments in the postal sector (2006-2008), p. 42ff.

⁷⁶ In Sweden and Finland receivers traditionally pick up their parcels at the nearest post office or contact point. In eight Member States some exceptions from the home delivery are applied (Austria, Czech Republic, Denmark, Greece, Hungary, Romania, Slovakia and Slovenia); for example, this concerns rural places in Austria where the letter box is located at the street rather than at the house.

Table 4 Delivery/collection requirements and exceptions/derogations

	# of countries	Countries	Notes
6 day delivery 2004	10	DE, DK, EE, ES, FR, IT, LT, MT, NL, SI	
6-day delivery 2019	3	DE, FR, MT	Also in AT for newspapers, in BG (only in capital) for letters
Exceptions/derogations from daily delivery (2010)	11	BG, HR, EE, FR, DE, EL, IE, RO, SK, SI, SE ⁷⁷	
Exceptions/derogations from daily delivery (2019)	11	BG, DK, EE, EL, FI, FR, HR, IT, RO, SK, SE	
Thereof exceptions/derogations due to...			
Mountains or island areas	9	BG, DK, EE, FI, FR, HR, EL, RO, SE	
Population density	6	BG, HR, IT, RO, SK, SE	
Low traffic volumes	2	IT, RO	
Cost of service	5	RO, SK, FI, DK, IT	
Poor infrastructure	2	BG, RO	
Extreme weather conditions	2	RO, EL	

Sources: Based on WIK (2021), European Regulators Group for Postal Services (20) 22 and (11) 19, adapted.

The most prominent derogation granted until today concerns Poste Italiane. The Italian Regulatory Authority authorized an alternate delivery model for postal items within the scope of the universal service setting specific criteria regarding the areas where this model may apply.⁷⁸ This concerned services to an important part of the population (20 million) in absolute and relative terms. While it is important to bear in mind that operators' needs were an important driving force behind the request for the derogation⁷⁹ the needs of users were assessed before and monitored after. According to a research in 2014, before the derogation was approved, 74.4 percent of a representative sample for the Italian population found the alternate delivery day model adequate for their needs⁸⁰.

⁷⁷ The reasons are similar in 2010 as in 2019 and are not reported here as not to add to complexity. They can be found in European Regulators Group for Postal Services (11) 19, Report on the quality of service and end-user satisfaction, p. 44.

⁷⁸ Decision n. 395/15/CONS of 20 July 2015, "[Authorisation of an alternate delivery model for postal items within the scope of the universal service](#)". Fully implemented, the alternate delivery model affects up to 23.2 percent of Italy's population.

⁷⁹ The economic viability of universal service is a very important factor, since without a sustainable universal service the realistic possibility of providing the universal service as such would be lost. See in particular Recitals 11 and 12 of Directive 2008/6/EC, which respectively refer to 'the fundamental objective of safeguarding the sustainable provision of a universal service' and 'long-term sustainability in the new market conditions'

⁸⁰ Customised Research & Analysis (2014), Research on the possible review of postal delivery frequency, p. 7; Autorità per le garanzie nelle comunicazioni (2016), The use of communication services, experiences and perspectives, complements the other study and illustrates the changes of communication needs of the Italian population.

Moreover, the national regulator also closely monitored the gradual implementation by Poste Italiane⁸¹.

Sweden is also envisaging an alternate delivery model (with reduced delivery frequency for certain postal items within a geographically specified area) for 2021 which adds to models in Denmark and Finland. The study carried out by the Swedish regulatory authority before allowing PostNord to introduce its new delivery model indicated that any changes in the frequency of the delivery of letters with written content would have rather limited negative consequences. Some 60 percent of both private individuals and enterprises do not think changing the frequency of delivery to two days a week would cause them any problems at all, but almost 50% of the enterprises in rural areas are concerned about mail delays affecting their operations. It also confirmed that reliability would be more important than five day delivery for businesses and authorities, and that for small businesses, the elderly and socio-economic vulnerable groups it is important that changes are well communicated⁸². These cases are the ones that present the most relevant and substantial derogations from the standard model of five-day-delivery⁸³.

While the provisions of the Directive allow for considerable flexibility, they were intended for circumstances deemed exceptional. The ever increasing scope of and number of important derogations suggests that the requirements in the Directive are not well aligned in certain Member States with market needs (i.e., that of users and operators) and raises questions about the effectiveness of the current requirements on frequency of delivery and collection. This is even more so taking into consideration that additionally a number of Member States such as, for example, Estonia, Finland, the Netherlands and Portugal have launched initiatives in recent years to start a discussion with stakeholders on the modernisation of the universal service in the light of changing users' and operators' needs.⁸⁴ The vast majority of the Member States consulted via the Postal Directive Committee indicated the frequency of delivery as the first feature of the universal service that should be more flexible and allow adaptation to national needs. From this perspective, current practice by Member States were not expected in 2008.

Contrary to the letter mail segment, parcel delivery frequency and options for delivery of postal items have not been reduced but rather evolved and increased compared to the baseline. Today most universal service providers offer a number of options for delivery, such as delivery within a specific time window, evening and/or Saturday delivery, delivery at neighbors, pick-up points or/and parcel lockers. These innovative improvements are not due to regulatory intervention, but are the result of competition, consumer demand and expectations and the rapid increase of e-commerce.

⁸¹ Autorità per le garanzie nelle comunicazioni (2018), Relazione annuale 2018 sull'attività svolta e sui programmi di lavoro, p. 172: „[...] the reporting mechanism made available to the mayors has been successful, as there have been a limited number of alerts (50 from 3.212 municipalities concerned).“

⁸² Post-och Telestyrelsen, ”Need for physical postal services on a digitalised market” (2019), p.9 and ”Swedish Postal Market Report” (2020) p. 11.

⁸³ The British regulatory authority Office of Communications has recently conducted a study that departing from a 6 day delivery frequency concluded that „[m]ost participants were willing to have collection and delivery of their post reduced to 5 days a week, accepting that this would still meet current needs.“ – Office of Communications (2020), United Kingdom Postal User Needs: Qualitative Research Report, p.37.

⁸⁴ These processes are still ongoing.

Density of access points

The Directive states that postal services must be provided “at all points in the territory” without being explicit about how such points are to be identified. It only provides that the density of contact points must take account of the needs of users. This leaves a wide margin of discretion to Member States. Access points are used here to encompass both own post offices as well as places such as shops, petrol stations and kiosks that provide for the deposit and pick-up of letters and parcels.

Compared to the overall number of access points in 2006/8 there has not been any fundamental change in the number of access points per inhabitants. In 2006 the number of postal access points in the EU was 151,821 (3.3 par 10,000 inhabitants), in 2018 the number was 169,026 (3.3 per 10,000 inhabitants). The increase in the number of access points is due to the increase in Member States and population of the EU. However, large disparities seem to exist among Member States as in 2018 this ratio ranged 1.19 postal establishments per 10,000 persons in Belgium to 12.5 in Cyprus⁸⁵.

The increased use of franchised or sub-contracted access points is largely a response to the different demand for postal services by consumers and small enterprises which are the main users of postal access points.

While, over the last four years leading up to 2019, the overall number of postal access points of universal service providers has remained fairly stable, access points with longer and different opening hours than traditional post offices are becoming more relevant, considering the increasing importance of the postal access network for parcel delivery services, in particular pick-up and returns.⁸⁶ The postal access network is also of particular importance for e-commerce and parcel delivery services (in particular regarding pick-up and returns), which is why the European Regulators Group for Postal Services has also described the various improvements as regards access to postal services by disabled persons⁸⁷ and has started monitoring the evolution of parcel lockers.

Compared to the baseline, the users’ expectation regarding ubiquity of access for parcels and letter mail has remained largely the same. Moreover, from a service point of view, while post offices might in general offer a broader range of services than subcontractors, the latter offer more convenient opening hours (e.g., week-ends, evening) and a variety of locations (petrol stations, shopping centres)⁸⁸.

Designation of universal service provider(s)

The 2008 amendment provided possible additional ways of designating the universal service provider (by way of public procurement procedures) as well as the scope for the provision of universal services (e.g., a specific geographic area). However, these new options have not been used in practice by any Member State except in limited cases

⁸⁵ European Regulators Group for Postal Services (20) 23, point 4.5.2.

⁸⁶ For a detailed illustration of the share of post offices operated by universal service providers, as well as an illustration of the wide variety of different access options available in Europe, see Annex 4.

⁸⁷ European Regulators Group for Postal Services (20) 22, Report on quality of service, consumer protection and complaint handling, p. 34.

⁸⁸ Furthermore, in the reference period parcel lockers have been rolled out systematically (they are relevant not only for delivery but also for posting items, including the important segment of returns).

where a public procurement procedure took place for the distribution of newspapers⁸⁹. Member States have continued to designate (by law or administrative act) a single provider for the entire national territory.⁹⁰ While the basic decision to require universal provision for the entirety of a territory is for Member States to take, it may also be motivated by the desire to ensure uniformity of services and avoid interconnection issues⁹¹. There is no sufficient evidence available to allow for a proper assessment of why the public procurement procedure has not been used by Member States, either to procure services for the entire territory of a Member State or for parts of it. This merits further consideration as it cannot be excluded that greater recourse to public procurement procedures could have contributed to increasing competition. The assessment also raises a question whether it would have been more effective to require that Member States analyse whether the designation for the entirety of the national territory is needed, appropriate and respects the principle of least market distortion prior to making any decisions on designation and the scope of designation.

Quality of service regulation (transit time)

Regarding **cross-border letter mail services**, a majority of Member States set targets for monitoring cross-border transit times following the targets set by the Directive.

After 2008, the situation concerning cross-border transit time has however been continuously deteriorating. According to WIK⁹², the deterioration of transit-time quality can be explained by several reasons, such as the effect of the financial crisis 2008 that reduced letter mail volume or the switch to electronic communication. These exogenous factors were stronger than the incentives by the Directive and the obligations/benefits under different international mail agreements as the volume decline reduced the economies of scale and scope. This negative evolution of volumes has had various effects, such as finding less costly ways of operating (for example by reducing night-shifts and using ground transport instead of flights) which in turn have led to lower transit time performance as evidenced in Figure 3 below. It illustrates how quality levels of cross-border letter mail increased following the adoption of the Directive only to diminish considerably as of 2008.

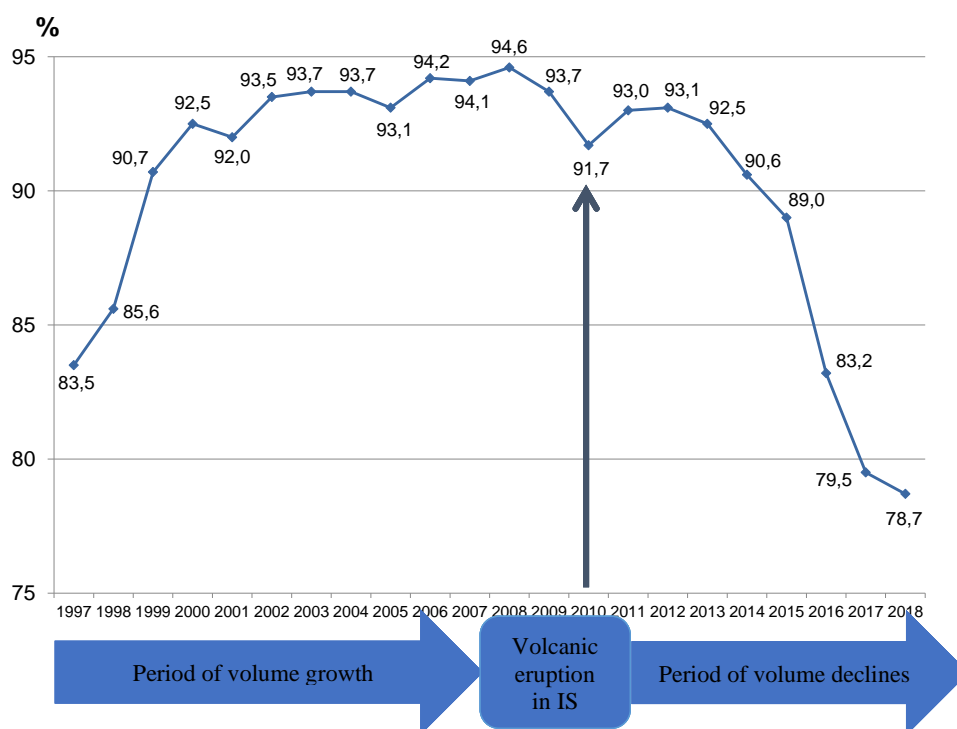
⁸⁹ In cases where newspapers were part of the universal service as well as in cases where they were considered a distinct Service of General Economic Interest.

⁹⁰ That Member States may require that the universal service be provided throughout the whole of the national territory is explicitly stated in Recital 23 of the 2008 Directive.

⁹¹ It should be born in mind that the competence for postal services always falls into the competence of the federal authorities even in Member States with the widest decentralisation of competences.

⁹² WIK (2021), p. 228.

Figure 3 Delivery of intra-EU cross-border mail (percentage of items of the fastest standard category delivered 3 days after posting – EU target is 85 percent):



Source: WIK (2021), based on Copenhagen Economics (2018), IPC, UNEX CEN module 2018 results

In any event, the actions taken by universal service providers and Member States in response to decreasing letter volumes raise doubts regarding the effectiveness of the current high quality standards for intra Community cross-border mail. It seems that for quite some while, the fastest standard category has not been aligned to user needs and market context.

Regarding domestic letter mail, the Directive only requires Member States to set targets for the domestic transit time and to monitor, independently measure and publish transit time performance. This has contributed to improving significantly the transparency on the quality of service in national postal markets creating incentives for universal service operators to improve their quality of domestic services. Domestic quality targets set by Member States have been largely met by the universal service providers and stayed on a similar level since 2009⁹³ (between 80 to 95⁹⁴ percent for D+1 delivery, i.e., a very high target to achieve) with variations among Member States⁹⁵. Since 2013, the number of universal service providers that achieved their targets in the

⁹³ The first data available in the European Regulators Group for Postal Services (11) 19 Report on the quality of service and end-user satisfaction do not indicate an average and relate only to D+1, which hinders a direct comparison. However, in general the D+1 figures were around 90 percent with some strong upwards deviations (e.g., Austria with 95.39 percent) and downwards (Romania with 52.60 percent, Poland 53.40 percent).

⁹⁴ WIK (2021), figure 18, p. 27. In the EU Member States 1997 the domestic transit target remained at around 90 percent for D+1; in the Member States acceding after 2004 the domestic transit time targets remained at around 84 percent for D+1.

⁹⁵ In general the quality performance is highest in the Member States that acceded the EU before 2004.

fastest standard category has diminished, but remains at a still high level^{96,97}). The reasons for the decrease in the last years are the same as discussed for cross-border letter mail, the continuing volume decrease and progressive change in users' needs.

Although most national regulatory authorities publish monitoring results, not all of them are in a position to sanction the universal service providers if quality targets are not achieved⁹⁸. However, the Directive has not been fully effective in ensuring consistent high-quality service levels for domestic letter mail. Effective sanction powers for regulators may be one possible solution to address lack of quality compliance.

Complaint procedures

Information on complaints issues in 2008 is limited and cannot be compared with the analysis the European Regulators Group for Postal Services⁹⁹ undertakes today. According to a 2008 study undertaken by Ecorys¹⁰⁰ postal users were fairly negative about the processing of complaints by universal service providers.

In its 2019 Report¹⁰¹ on complaint handling, the European Regulators Group for Postal Services confirmed that national regulatory authorities are now in most cases competent to handle (external) complaints procedures. Furthermore, the majority of Member States had requirements in place for providers to publish information regarding complaint procedures, compensation schemes and dispute resolution. In recent years, the number of Member States where, in addition, alternative (out-of-court) dispute resolution mechanisms are available to consumers, has continuously been increasing (now in 25 Member States). The European Regulators Group for Postal Services has also devised a quality indicator based on the publication of the number of complaints received and the number of resolved/unresolved complaints (both for letters and parcels)¹⁰². There have been relevant improvements in relation to the situation in 2008 (when the complaint procedures were strengthened in the Directive), particularly regarding monitoring and transparency of such complaints. However, there are still certain Member States where measuring of complaints and publishing complaints is not carried out. Complaint procedures can therefore be said to only have been partially effective throughout the reference period.

While the overall number of consumers that responded to the Commission's public consultation was low, the majority are of the view that the complaint handling procedure of the provider was not at all or only to some extent easy to find and simple to file, and

⁹⁶ According to European Regulators Group for Postal Services (20) 22, p. 18 the results of 2019 are: D+1: 85,20 percent; D+2:90,40 percent and D+3: 96,95 percent..

⁹⁷ See Annex 4 Table 11 for the achievement of domestic transit time targets by universal service providers.

⁹⁸ WIK (2021) explains that this may be due to the fact that in light of pressure on costs and profitability, the national regulatory authorities may not be strong enough to enforce compliance with the quality targets.

⁹⁹ Since 2011 the European Regulators Group for Postal Services is regularly reviewing complaint handling by universal service providers.

¹⁰⁰ Ecorys (2008).

¹⁰¹ European Regulators Group for Postal Services (19) 35, Report on the quality of service, consumer protection and complaint handling 2018: An analysis of trends.

almost all of the ones who responded state that it is very much free of charge or inexpensive but many state that the procedure was not at all effective in addressing the matter and not at all fast. Only a third of the regulators that responded to WIK's online survey fully agree that the Directive has increased consumer protection in their country, and only 15 percent of the operators completely agree (47 percent of regulators and 54 percent of the universal service providers partly agree)¹⁰³.

Application of tariff principles for universal services: affordability, cost orientation, transparency and non-discrimination.

The definition and application of the **cost orientation principle** is left to Member States. Different approaches have been followed by referring either to individual tariffs, and/or services, or the full scope of universal service or a specific selection of products (i.e., a product basket).

The principle of cost orientation for universal service tariffs was also meant to limit price increases. As illustrated in Annex 4 (1.4 Prices), retail letter mail prices¹⁰⁴ in the EU have increased annually by 2.7 percent on average in real terms between 2008 and 2019. The 20 gram letter of the fastest standard category used in this comparison is an item that is often used by individual users and hence representative for the development of prices. The role played by the application of the cost-orientation principle in limiting price increase is difficult to demonstrate given the absence of a counterfactual scenario where an uncontrolled monopoly would set its prices freely or where universal service providers would operate in a competitive environment. However, this principle has contributed to keeping price levels limited to the level of cost increases. This is confirmed by recent decisions of regulators to reject price increases proposed by the universal service providers¹⁰⁵.

Furthermore, the application of the cost-orientation principle to the wholesale tariff that providers pay one-another for the delivery of cross-border items cannot effectively be made as the provisions in the current Directive do not provide the Commission and national regulatory authorities with any oversight instruments to verify the tariffs established under bilateral and multilateral agreements. Given that the volumes of cross-border e-commerce deliveries continue to rise this seems all the more important.

The principle of **transparency**, has been effectively applied across the EU since 2008. The majority of Member States require universal service providers to publish tariffs online, while the German de facto universal service provider reports tariffs to the national regulatory authority. In practice though it appears that all universal service providers (including Germany) publish at least single-piece tariffs online.

¹⁰³ WIK (2021), p.246.

¹⁰⁴ This relates to the 20g letter of the fastest standard category which is an item that is often used by individual users and hence representative for the development of prices.

¹⁰⁵ National regulatory authorities such as the Belgian Institute for Postal Services and Telecommunications (BIPT), in 2017, and the Portuguese National Authority for Communications (ANACOM), in 2020, rejected the proposed price increases on the grounds that the "reasonable profit" envisaged by the operator was exceeding a margin allowed.

Finally, the principle of **non-discrimination** implies that users who post under similar conditions cannot be treated differently with respect to tariffs or other associated conditions¹⁰⁶. This means in practice that discounts are subject to publications and operators have done so.

National regulatory authorities ensure that the **affordability** requirement is respected by applying a price regulation mechanism¹⁰⁷. This can take the form of *ex-ante* price approval or *ex-ante* price cap regulation (i.e., setting a maximum for prices, taking into account several factors such as costs, inflation and efficiency gains). Notwithstanding the limitations of the cost orientation principle in the current market context, it seems that expenses related to universal postal services only constitute a negligible part of today's household expenses. As today, less than 6 percent of all letter mail is generated by individual users¹⁰⁸, it can thus be assumed that from the average number of letters per capita of 108¹⁰⁹ (ranging from 306 in Finland to five in Bulgaria) only approximately 7 letters on average will be originating from individual users.

While there is no comprehensive study over time how the expenses for postal items have developed, every five years the German statistical office¹¹⁰ assesses expenses of private households in Germany. In 2008, they were EUR 5.52 for letters and parcels, in 2013 they were EUR 4.79 EUR and in 2018 they were EUR 4.44¹¹¹. This would indicate that over time the share of postal expenditure in overall household expenditure is very minor, and that tariffs of the universal service have remained affordable compared to 2008.

The results of the German assessment can also be applied *mutatis mutandis* to the other Member States. Furthermore, on average the corresponding time that an industrial worker needs to work to buy a standard letter is 3.66 minutes in the EU (ranging from 1.33 minutes in Malta to 8.37 minutes in Italy).¹¹² The assessment of the affordability criteria for parcels will depend on the number of parcel items sent (most items are again originating with business senders, particularly in e-commerce) as well as household income. Given the substantially higher tariffs of parcels these might not always be affordable for everybody¹¹³. As far as business, including small and medium sized entities are concerned, they generally benefit from discounts and in many cases from

¹⁰⁶ This principle has been defined in several judgements of the CJEU. See e.g., C-287/06 to C-292/06 (Vedat Deniz); and C-340/13 (bpost per sender). WIK reports that as of 2015 most of the national regulatory authorities define non-discrimination as a requirement that tariffs and applicable discounts should be offered on the same basis to all postal users.

¹⁰⁷ European Regulators Group for Postal Services (14) 22, Report on tariff regulation in a context of declining volumes, p. 30.

¹⁰⁸ According to the International Post Cooperation (2019) the average volume sent by individual senders is 5.8 percent, the one sent by government is 10.5 percent and the one sent by businesses is 83.7 percent, see figure 2.10; In 2006 it had been established that more than 87.5 percent of letter post items (EU wide) are sent by businesses and organisations rather than individuals – Report from the Commission to the Council and the European Parliament on the application of the Postal Directive (Directive 97/67/EC as amended by Directive 2002/39/EC, COM(2006) 595 final, p.6.

¹⁰⁹ European Regulators Group for Postal Services (20) 23, figure 32.

¹¹⁰ Statistisches Bundesamt GZ 184424/672089.

¹¹¹ ISTAT data give similar, even lower, figures for the household spending (including express and courier): from Euro 4,26 (2010) it decreased to Euro 2,10 (2014).

¹¹² Deutsche Post (2019), Briefpreise in Europa, p14/15.

¹¹³ Regulation (EU) 2018/644 has established a dedicated assessment procedures to address particularly high tariffs of parcels.

individually negotiated tariffs that are much lower than single piece prices. Moreover, individually negotiated tariffs do not fall under the universal service obligations relating to pricing principles.

Taking the above elements into account it can be said that in general the Directive has been effective in ensuring the provision of affordable universal services. This is confirmed by the majority of providers and regulators surveyed by WIK: 82 percent and 89 percent of them respectively consider that overall the Directive has effectively ensured the universal services. The Postal Directive Committee also confirmed recently that the objectives of the Directive in relation to the universal service had been achieved. Most Member States however argue for the need to adjust the universal service and in particular to give more flexibility to Member States in view of the changed user needs and to need to keep the universal service sustainable. In the Commission's public consultation 77 percent of all respondents agree completely or partially that the Directive has ensured the universal service to all citizens across the territory.

Cross-subsidisation

Cross-subsidisation occurs when high prices from one set of services allows a postal operator to make sufficient profits to set low prices on another set of services. Not all forms of cross-subsidisation are considered harmful from a regulatory point of view. For example, uniform prices for universal postal services cross-subsidises services in remote and rural areas using the higher profits generated from the services in densely populated and metropolitan areas. Moreover, revenues from non-universal services can be used to finance universal services. Harmful cross-subsidisation may occur when a postal operator charges excessive prices in market segments where it has market power, and uses the revenues it generates from such prices to engage in predatory pricing in other market segments (i.e., revenues from the universal service are used in the non-universal service market segments).

Before the full opening of the postal services market, cross-subsidisation was allowed as a source of financing the universal service. As the 2008 amendment was motivated by fully opening the postal service sector to competition, the Directive strengthened and clarified the requirement that universal service prices shall be cost-oriented (provisions on tariff principles) and adapted the provision on the transparency of accounts (cost allocation) to prevent harmful cross-subsidisation from taking place. This also provided national regulatory authorities with the appropriate tools to monitor for and detect such cross-subsidisation. Most national authorities also have such tools through national law, and in most Member States harmful cross-subsidisation is considered illegitimate.

While national regulatory authorities use various tools in practice to monitor, detect and prevent harmful cross-subsidisation, in response to a survey carried about by the European Regulators Group for Postal Services in 2019, it emerged that among the tools used the application of the cost allocation principles, and prices through the tariff principles are the most important ones.

When found to be harmful, national regulatory authorities have powers to address cross-subsidies (e.g., imposing modifications, or penalties or price changes).

In 2019 only five of the national regulatory authorities surveyed by the European Regulators Group for Postal Services, considered that there was a need to regulate further with regard to preventing harmful cross-subsidisation¹¹⁴. Possible additional tools comprised: monitoring system especially for ex-post regulated services, prohibition of cross-subsidisation in regulation, more competences in price control and single piece tariff regulation. Some raised the concern that given that competition in the letter mail segment is generally declining and prices increasing, the risk of using pricing strategies to skim the letter mail segment and cross-subsidisation should still be a priority concern.

In the last ten years, a few national regulatory authorities have conducted ex-post investigations into specific cases of cross-subsidisation.

Q2: Has the Directive contributed to the achievement of an internal market for domestic and cross-border postal services? Has the Directive stimulated fair and effective competition in the internal market for postal services?

Contrary to the expectations underlying the full market opening that took place in 2008, the Directive has only contributed marginally to the achievement of an internal market and stimulating effective competition in postal services. Competition in the letter mail segment has remained very limited and the incumbent universal service postal operators have kept their strong market position. The most important reasons for the lack of competition appear to be high entry costs, the need for substantial economies of scale and scope and strong volume declines that do not stimulate market entry. In addition to these factors, Member States rely on very different models regarding access to the postal network, and there also seems to be only limited transparency as far as access conditions are concerned. The Directive does not contain provisions regarding the transparency of access conditions and it also does not provide national regulatory authorities with tools allowing them to set terms for access to the network thereby providing for the possibility to introduce ex ante competition.

As the parcel segment was already fully open to competition in 2008, the description of the effects of the Directive in the following section refers to the (formerly reserved¹¹⁵) letter mail segment.

The conditions governing the provision of universal postal services were harmonised at a minimum level so that postal operators would be able to operate in all Member States to provide all postal services (i.e., not just the already liberalised parcel services but also the letter mail services) under conditions that are similar.

In 2008 a few Member States had already opened the letter mail segment using different approaches. For example, Sweden had opened up parts of its letter mail market in 1993 and Germany fully opened its letter mail market in 2008. Estonia, the Netherlands and the United Kingdom accomplished full market opening before the 2011 deadline established by the Directive. By 2013 all Member States had fully opened the letter mail

¹¹⁴ European Regulators Group for Postal Services PL II (19) 40, Report on cross-subsidization practices;

¹¹⁵ Note that already at the time the universal service obligation was wider than the reserved area.

segment. From a purely legal perspective, the minimum conditions for establishing an internal market were in place and were implemented by Member States.

However, it is clear that full market opening did not result in effective competition in the EU letter mail segment. With very few exceptions¹¹⁶ the universal service incumbents have increased or maintained their position across national letter mail segments. In certain Member States, the universal service provider is *de facto* the only operator in this segment such as in Ireland, Finland, the United Kingdom and Cyprus. In other Member States the universal service provider has a market share ranging from 95 to 99 percent (Austria, Belgium, Denmark, Hungary, Lithuania, Portugal, Latvia, Malta, Poland and Slovakia).¹¹⁷ In Italy¹¹⁸ and the Netherlands the takeover of competitors was authorised in 2020 and as a result the universal service providers now holds shares equivalent to around 95 to 100 percent. Overall market shares have remained relatively constant over the period 1998 to 2018.

In Member States where the liberalisation of letter mail markets happened in a time of increasing letter mail volumes (i.e., shortly before the financial crisis of 2008), competitive entry materialised¹¹⁹. In this regard, the price level also played an important role: in Germany the price level was relatively high at the time of market opening in 2008 and this had at the time allowed competitors to offer attractive prices. Other factors that have offered competitors opportunities to compete include the low quality of postal services of the universal service provider¹²⁰. These were very specific market conditions that created opportunities to enter the postal services market.

Where some form of competition on the letter mail segment has occurred over the last 12 years, it has taken mainly the form of access competition whereby alternative operators collect postal items from senders and insert them in the universal service provider's network for delivery, and end-to-end competition where letters are collected, processed and delivered directly to the recipient in direct competition with the incumbent operator without the necessity to use the incumbent's network, or access competition in addition to end-to-end competition.

The requirement in the Directive to give all postal operators access to “elements of postal infrastructure” has only been complied with by 18 Member States. In only 16 Member States competitors actually rely on the possibility to use the incumbent's network. In

¹¹⁶ Based on the information provided by WIK (2021) at figure 30, Romania is the most notable exception where the universal service providers has the lowest market share in the EU (61 percent only). It is important to note however that the market share of the universal service provider relates to the scope of universal services which does not include bulk mail which typically accounts for the majority of postal volumes. It is reasonable to expect that the universal service provider's share would be much high if total letter mail market was taking into account. Reasons for the low market share can be found in the very low quality of services. Until today the Romanian universal service provider has not been able to achieve its service quality targets.

¹¹⁷ WIK (2021), p. 34, table 8.

¹¹⁸ In Italy the competition authority concluded that the merger (between Nexive and Poste Italiane) will still lead to a market structure characterised by the presence of a single end-to-end infrastructure network throughout Italy. - Provvedimento n. 28497, C12333 - POSTE ITALIANE/NEXIVE GROUP of 22 December 2020.

¹¹⁹ European Regulators Group for Postal Services (13) 38, Report on end-to-end competition and access in European postal markets; Copenhagen Economics (2018).

¹²⁰ E.g., in Poland, Croatia, Greece and Romania.

most Member States where network access exists, it is interpreted as requiring the incumbent to offer bulk mail tariffs to bulk mailers, competitors or intermediaries in a transparent and non-discriminatory way. This has amongst others resulted in a certain specialisation in the postal market in that it has opened up possibilities for providers to specialise in specific mail preparation activities (such as pre-sorting of postal items and consolidation of postal items from different senders). National experiences have been mixed and in the most prominent case of imposed access regulation by the national regulatory authority (namely the United Kingdom¹²¹) end-to-end competition did not, even after a long period of such regulation, materialise at substantial levels.

Even if there are clear limitations to the comparison between the postal sector and the telecommunications sector, as telecommunications are largely technology based while much of the postal business (letters) relies heavily on staff and offers very few opportunities for the development of new types products and services, the one lesson from the telecommunication sector that appears directly relevant for the postal sector is that clear and transparent access provisions arguably contributed to competitive entry.¹²² There may be a base to argue that increased transparency on access and procedural rules in this regard might have the potential to constitute a non-invasive and pro-competition instrument.

The Directive currently does not provide national regulatory authorities with tools allowing them to set terms for access to the network thereby providing for the possibility to introduce *ex ante* competition. The Directive also does not provide them with the tools to handle dispute resolution for situations when commercial negotiations break down between access seekers and the universal service provider. To the extent national regulators have such tools (i.e., in Germany and the Netherlands), this depends on national postal legislation and on the type of responsibility granted to each regulatory authority at domestic level.

In its Opinion on the review of the regulatory framework for postal services, the European Group of Regulators for Postal Services is strongly advocating that a continued focus on promoting competition in the letter mail market is relevant and that national regulatory authorities should have the powers to intervene *ex-ante* in case of actual or potential competition problems. This entails sufficient powers to define, monitor and analyse markets and, in particular, the competence to impose regulatory obligations such as access to the network and its components. In a 2020 Report on the suitability of regulatory tools to promote competition, the European Group of Regulators for Postal Services also analysed 29 different regulatory tools used to promote competition in various different industries and sectors (including the postal sector) to see what national postal regulators thought could be effective for promoting competition. The Report concluded that most of the known and common regulatory tools such as access obligation, price regulation, non-discrimination and transparency are still perceived as

¹²¹ It appears that in this case the access conditions were so favourable that they did not stimulate end-to-end competition.

¹²² Postal and electronic communications regulators are also of the opinion that experiences in the telecommunications sector cannot be simply transposed to the postal sector.

suitable and effective tools to promote competition in the postal sector, even considering the transitioning postal market.¹²³

At the same time it should be recognised that in a period characterised by digitisation and declining letter mail volumes, it is becoming more difficult for smaller rivals to enter on a sustainable basis¹²⁴. Universal service providers have a long term experience, may enjoy market power, well-structured (adaptable) networks and are often equipped with higher bargaining power and in certain circumstances the ability to set strategic prices for non-universal services. Very few competing operators can maintain a market presence in this situation.

Regarding access to international postal networks, a recent report of the European Regulators Group for Postal Services¹²⁵ on interconnection models and access illustrate that in a cross-border context there seems to exist a plurality of options available to postal operators to access international postal networks (e.g., direct access, bilateral/multilateral agreements etc.). This suggests that the current provisions of the Directive do not constitute a barrier to cross-border competition even though it does not actively promote competition.

In response to the Commission's public consultation, the vast majority of regulators along with the majority of associations representing non-universal service postal operators stated that there is no or insufficient competition in the single piece letter mail segment. In contrast, around half of the universal service providers that responded to the public consultation are of the opinion that there is significant competition in the single piece letter mail segment.

Q3: Has the Directive led to an expected level of harmonised regulation of postal services across the European Union?

The Directive is based on minimum harmonisation and is principle-based rather than relying on fully harmonising rules. Differences in domestic implementation were thus inevitable and expected. The transposition and application of the Directive since 2008 have shown that these divergences have not had a major disruptive effect on the effectiveness of the Directive. While there is a question whether current definitions have been effective considering market changes, there is no clear evidence that any lack of clarity or that inconsistencies among Member States have caused any relevant internal market problems. National regulatory authorities have contributed to better and more

¹²³ European Regulators Group for Postal Services (20) 25, Report on the suitability of regulatory tools to promote competition.

¹²⁴ According to an analysis undertaken by the Swedish postal regulator Post- och Telestyrelsen there is evidence that even in times of growing letter segments competing postal operators have struggled to survive (NB the postal market was fully liberalised in Sweden already in 1993) Post- och Telestyrelsen (2008), Service and Competition, p. 16: "*Since 1993, the growth in large parts of the bulk mail segment has been characterised by tough competition between Posten AB and, in particular, CityMail. This competition is largely the result of pricing and PTS views it as possible that competition has led to price levels that occasionally result in negative operating margins for operators. For example, 2004 was the first year ever when CityMail showed a positive full year result*".

¹²⁵ European Regulators Group for Postal Services PL II (20) 28, Report on interconnection models and access to international postal network.

coherent oversight of the postal services markets. It appears that the benefits of greater harmonization in the implementation of technical standards has not been fully reached.

Definitions

Definitions contribute to harmonised concepts. The main definitions remain unchanged since the adoption of the 1997 Directive. A recent report of the European Regulators Group for Postal Services¹²⁶ questions if some of the definitions are still effective in the context of a changing postal market¹²⁷.

The Directive – contrary to the Parcel Regulation¹²⁸ – does not contain any upper weight limit that allows distinguishing postal items from items falling under the freight transport and logistics sector. This lack of an upper weight limit has resulted in divergent delimitations of the sector and in this regard not to a harmonised and effective sector definition (in particular vis-a-vis the logistics sector). The European Regulators Group for Postal Services has indicated it is desirable to have a clear-cut criterion separating these two sectors. However, while this may be seen as not fully consistent with the Parcel Regulation, it has not resulted in problems from the perspective of postal service providers and stakeholders¹²⁹.

Also as regards other definitions such as, for example, “*postal item*,” “*item of correspondence*,” “*registered item*,” “*insured item*,” “*cross-border mail*,” “*universal service provider*,” “*terminal dues*,” “*sender*” and “*user*”) no stakeholders in the public consultation have indicated that the definitions have not been effective and successful. There is no clear evidence that any lack of clarity has caused any relevant internal market problems or barriers to entry for postal service providers. The absence of a weight limit in particular seem to have provided Member States with desired flexibility in determining the scope of their own postal services regulation.

Harmonising technical standards

The Directive entrusts the European Committee for Standardisation with the task of drawing up technical standards to be applied in the postal sector based on standardisation requests made by the Commission. Harmonising certain technical standards such as standards on addressing or size of letter boxes were clearly needed to ensure interoperability and facilitate cross-border traffic mail¹³⁰.

¹²⁶ European Regulators Group for Postal Services (20) 7, Report on postal definitions.

¹²⁷ This concerns particularly the: (a) delimitation of the postal sector with the transport/logistics sector (i.e., the possible need to establish a upper weight limit on the lines of the 31,5 kilograms limit introduced into the definition of Regulation (EU) 2018/644; (b) possible improvements in relation to self-provision, and (c) possible improvements in relation to food delivery (postal item).

¹²⁸ The Regulation considers only items not exceeding 31,5kg as a parcel, since items heavier cannot be handled by a single average individual without mechanical aid and this activity is part of the freight transport and logistics sector.

¹²⁹ The European Regulators Group for Postal Services further reported that in some Member States local food delivery operators are subject to postal regulation. Such open ends may result in some postal regulators being in change of a larger group of market players. See European Regulators Group for Postal Services (20) 7, p. 20. However, postal service providers and stakeholders that responded to the Commission’s public consultation did not raise any problems in this regard.

¹³⁰ WIK (2021), p. 306.

Only the standards regarding the measurement of cross-border mail quality and complaints handling are mandatory standards. All the other standards have been of a voluntary nature. The compulsory standard defining the measurement system for cross-border mail was fundamental to ensure a proper and comparable measurement of the obligation to respect quality standards (in terms of transit time) for the fastest standard category of letters as required by the Directive.

The application of the two mandatory standards has been uneven. The standard for transit time is applied in all EU Member States but four, while the standard on complain handling principles in 14 Member States. There is no follow-up, sanctions or any other consequences for Member States not using them.

Even if there is no robust monitoring and information on the effective implementation and application of the voluntary standards by providers, their application varies between Member States. According to a WIK survey, universal service providers in some countries only apply the two mandatory standards and do not apply any voluntary standards. Others apply them very selectively. The reasons for this non application can be diverse: it could be due to preference for routines and procedures that have proved more adapted to particular national circumstances, the lack of relevance of some standards for some operators or the preference given by postal operators from small countries to standards developed by the Universal Postal Union, which they may consider more well-known or more easily accessible. Finally the lack of follow-up and overview of the extent to which Member States apply these standards and of sanctions or other consequences of not using mandatory standards does not provide any incentive for a wider use.

The objective and the benefits of greater harmonization in the implementation of technical standards has therefore not been fully reached. A greater use of standards could facilitate the sorting, transporting and delivery of international postal items. The postal operators interviewed by WIK as part of their study confirmed that the standards that are applied create great benefits for them¹³¹. Consequently while certain doubts may be raised as regards the use of voluntary standards which may negatively impact their effectiveness, this is an area that would merit further consideration

National Regulatory Authorities

As required by the 2008 Directive, all Member States have established regulatory authorities legally separate and operationally independent of the postal operators.

In nearly all cases these national regulatory authorities are responsible for postal services and for telecommunications. Consequently these national regulatory authorities are subject to the European Electronic Communications Code where strong independence provisions are applicable. Alignment for all regulators with such independence provisions appears to be an effective way to ensure that, in the exercise of its tasks, a national regulatory authority is protected against external intervention or political pressure liable to jeopardise its independent assessment of matters coming before it.

¹³¹ WIK (2021), p.306. For a comprehensive list of the standards published by the European Committee for Standardization TC 331 see WIK (2021), p. 346ff.

The 2008 amendment to the Directive also ensured that the national regulatory authorities have better access to information (including financial) from postal service providers and put in place appropriate monitoring procedures to ensure compliance with the obligations arising from the Directive. This was expected to also help national regulatory authorities in the transition to competition. As evidenced by the core indicator reports that the European Regulators Group for Postal Services issues every year, it seems that, compared to the baseline, national regulatory authorities have received more and better information to perform their tasks and that the regulatory oversight has significantly expanded and improved. However, given the insufficient requirement in the relevant provision of the Directive, national regulatory authorities largely lack tools to obtain information regarding terminal dues.

As more and more cross-border issues have become integral part of regulatory activity, the European Regulators Group for Postal Service¹³² has been playing an increasingly important role in the provision of expertise to the national regulators and the European Commission. Close cooperation of national regulatory authorities has become more relevant in a fully open and e-commerce determined postal and parcel market.

Information shared with regulators

The 2008 amendment introduced a requirement for postal service providers to supply financial information, statistics and information on the provision of the universal service to the national regulatory authorities. This was to ensure conformity with the Directive and to be able to effectively monitor the postal services market. National regulatory authorities have interpreted the provision referring to monitoring in different ways. Hence, the collection of statistics and market data is not uniform. Prior to the adoption of the Regulation on cross-border parcel delivery services¹³³, data on the parcel and express segment of the postal services market was far less comprehensive and reliable than information with regard the letter mail market.

Research by the European Regulators Group for Postal Services confirms that the data collection competences of national regulatory authorities is different and in some cases limited.¹³⁴

5.2 Efficiency

Q1: Do benefits associated with the application of the Directive outweigh the costs?

The provisions on quality and price control in the Directive bring clear benefits, though the measurable effects of some of those provisions seem to have been declining in recent years. Notably, the benefits related to quality seem to have decreased, while the broader societal benefits of universal service provision could be assumed to be less pronounced

¹³² Commission Decision of 10 August 2010, Official Journal of the EU C 217/7 of 11.8.2010.

¹³³ Regulation 2018/644 of 18 April 2018

¹³⁴ WIK (2021), p.312. For example, the national regulatory authorities in France and Portugal may collect data from other operators than the universal service provider, only if these are authorised postal operators. The Danish regulator has no competence to collect data on non-universal services.

than around 2008, due to changed user needs and communication needs because of digitisation

The trend seems to be that some of the costs (price for users, net cost compensation for the State) have been increasing over the last 5 to 10 years. The costs for administration are still modest, however, and the affordability of prices has not been questioned.

The main **costs** associated with the Directive encompass the costs of providing the universal service (which can entail offering services that are not profitable for the universal service provider), the operational costs for operators to comply with the Directive's provisions on prices, quality and administrative costs for both national authorities and operators in following and monitoring its provisions.

The **benefits** for **users** are related to the possibility for businesses and public institutions to keep communication channel to citizens and other businesses/public institutions, the provision of affordable postal services and the accessibility of postal services for all users, including vulnerable groups. **Universal service providers** are also expected to enjoy benefits as the universal service provision means a broad network and profitability potential (e.g., presence throughout the Member State territory increases brand value and brings demand complementarities). The **benefits** for **society** as a whole emerges from greater social cohesion with a basic service available to all, irrespective of economic resources or digital skills, the maintenance of comparable living conditions in rural and urban areas (territorial cohesion).

Costs for the State

The State may finance the net cost of the universal service obligation, or certain costs for the provision of selected postal services, under the State aid rules for services of general economic interest.

State aid compensation for the universal service obligation may only be paid by the State when the universal service obligations entail a net cost and represent an unfair financial burden. It is one of the financing mechanisms that can be used under the Directive, besides the compensation fund, to compensate the universal service provider from losses incurred for the provision of the universal service obligation. More than one third of Member States¹³⁵ did not undertake any net cost calculation, and consequently no compensation for the universal service was paid.

The net cost is calculated as the difference between the net cost (or profit) of a designated universal service provider subject to an obligation to provide the universal service as per the Directive and the net cost (or profit) of the same operator without this obligation. It therefore only relates to the additional costs created by the provision of universal service. It compares the universal service provider's result in a situation with universal service obligation to a hypothetical, counter-factual situation where the operator is not obliged to provide universal services. However, the existence of net cost of the universal service obligation does not exclude overall profitability of the universal service provider.

¹³⁵ WIK (2021), p. 191-192, table 27

The calculation of the net costs by the Member States which use it¹³⁶ vary greatly, depending on the counterfactual scenario chosen by the universal service provider.

Although the evidence base is limited there are some indications that net costs remain important in some countries and have even sometimes increased. In 2008 to 2010, estimates of the net cost were reported from nine Member States.¹³⁷ For the period 2010 to 2013, such calculations were reported from 12 Member States.¹³⁸ Also, the number of State aid cases to compensate the net cost have increased since 2008. Between 2000 and 2008 there were only a few cases (Poland, Spain and the United Kingdom), as shown in the Commission's overview of State aid cases.

The WIK (2013) study concluded that the estimated net cost of universal service in the EU-12¹³⁹ Member States appears to be around 5 percent or less of the universal service cost, while the cost in the Member States that joined the EU after 2004 is, at least in some cases, far more substantial (30 to 70 percent).¹⁴⁰ The same study also found that the net cost is increasing over time. The main reason is the generally lower letter volumes per capita in the Member States that joined after 2004¹⁴¹, which implies less revenue, high costs for the universal service network, and leads to higher net costs¹⁴².

The guidance for the calculation of the net cost of the universal service set out in Annex I of the Directive has been used for the calculation of the financial contribution to the universal service provider in the 12 Member States that calculate the net cost. The guidance involves developing a counterfactual scenario in order to compare the costs incurred by an operator with a universal service obligation with one without a public mission. WIK finds that developing a completely hypothetical scenario specific to each country and its universal service provider is difficult¹⁴³. Five of the eight national regulatory authorities that responded to the Commission's public consultation on this matter argued that the net cost calculation methodology was useful, while the three other ones said it was not. Some say it is appropriate and reliable, some find it cumbersome.

The table below summarises the available estimates of the net costs from different sources and based on different measurements methods.

¹³⁶ WIK (2021), p. 191-193.

¹³⁷ Copenhagen Economics (2010), p 130.

¹³⁸ WIK (2013), Main Developments in the Postal Sector (2010-2013), p. 153.

¹³⁹ In this document, EU-12 refers to all Member States of the European Union between 1 November 1993 and 31 December 1994 and aggregated data referring to any interval of that period.

¹⁴⁰ *Idem*, p. 152.

¹⁴¹ Letter mail volume per capita, 2017 : EU-MemberStates-in1997=127, EU-MemberStates-after2004=78, EU-MemberStates-after2007= 32,

¹⁴² WIK (2013) p. 152.

¹⁴³ WIK (2021), p.213

Table 5 Calculated net cost / compensation for SGEI provision

Member State	Net cost calculation published? / Last available year	Net cost for universal service obligation, in percentage of total universal service revenues	Previous estimate of net cost of universal service obligation in percentage of universal service cost
Bulgaria	2016	25-30 percent	39.6 percent (2012)
Czech Rep.	2016	15-25 percent (2016)	
Denmark	2016	n.a.	7 percent (2007), 1.5 percent (2008)
Estonia	2018	5-15 percent (2016)	30 percent
Greece	2015	10-15 percent	1.3 percent (2008), 5.2 percent (2009)
Spain	2010	10-20 percent (reference year unclear)	12 percent (2009) 17.2 percent (2012)
Croatia	2018	n.a.	
Ireland	2015	n.a.	0 percent (2009)
Italy	2016	10-15 percent (2013)	
Lithuania	2016	5-15 percent	
Latvia	2017	n.a.	
Poland	2013	-	
Romania	2015	n.a.	
Slovenia	2016	5-10 percent	39 percent (2009)
Slovakia	2016	5-10 percent	6.7 percent (2012)
Belgium			0 percent (2009)
Hungary			3.8 percent (2009)
Malta			69 percent (2009)
United Kingdom			5 percent (2008)

Sources: Based on Copenhagen Economics (2018), national regulator decisions and annual reports; EC state aid decisions, USP annual reports and WIK (2013), p. 153.

For Bulgaria, the Czech Republic, Estonia, France, Ireland, Italy, Lithuania, Poland and Slovakia the calculated net cost per capita ranges from below EUR 1 to almost EUR 6.¹⁴⁴

Net cost compensation involves **State aid** and must be notified to and evaluated by the Commission under the rules in the Framework for State aid to Services of General Economic Interest¹⁴⁵ if the amounts at stake exceed EUR 15 million per year. If these

¹⁴⁴ WIK (2021), p. 195.

¹⁴⁵ Commission Decision 20 December 2011 on the application of Article 106(2) TFEU on State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of SGEI, OJ L 7, 11.1.2012, p. 3-10, and Communication from the Commission — *European Union framework for State aid in the form of public service compensation* (2011), OJ C 8, 11.1.2012, p. 15–22.

amounts remain below EUR 15 million per year, no notification is necessary if the conditions of the Services of General Economic Interest decision are fulfilled. Postal universal services is one example of a service of general economic interest, but postal offices can also perform other such services for which they may receive State aid. Examples include financial and administrative processing of traffic fines (Belgium), or a savings account available for all (France).¹⁴⁶ Less than half (42 percent) of the State aid compensation to the postal sector concern universal service obligations, with large parts of the compensation also relating to newspaper distribution (25 percent) and “territorial presence” (rules for postal network density) (19 percent).

The main issue in State aid control of universal service compensation is to ensure that the **calculation of the net cost** by Member States and universal service providers is reliable and not unduly inflated, to avoid the risk of overcompensation and cross-subsidisation (use of State aid for activities outside the universal service area). The Commission verifies that the net cost calculation provides a correct estimate of the true economic burden of the universal service obligation, by focusing on the decisions that would be made in the absence of the universal service obligation. Since 2008, the Commission has approved State aid for universal service provision (based on net cost calculations according to the Directive) in Poland (2006 to 11), (2013 to 15), Greece (2015 to 19), Italy (2009 to 11, 2016 to 19, 2020 to 24), Spain (2011 to 20), Denmark (2017 to 19), and the Czech Republic (2013 to 17, 2018 to 22). The amounts can be up to EUR 6 per capita (see below), given that net cost may be 5 to 10 percent of universal service revenues, even though the aid usually covers only a part of the net cost. The State aid cases with the largest total amounts were in Italy and Spain, presented in the box below.

Examples of State aid measures

The universal service providers of Italy and Spain are the two most long-running beneficiaries of State aid for universal service net costs.

In the case of **Spain**, the aid granted amounted to around EUR 1.4 billion over 2000 to 2011, and around EUR 1.2 Billion over 2011 to 2019. This means that the aid amount per year remained practically unchanged in nominal terms, and the average annual aid was roughly EUR 2.5 to 2.8 per capita.¹⁴⁷ The purpose of the aid is compensation for the costs related to universal service obligations such as network density and delivery frequency.

The **Italian** universal service provider received compensation for universal service obligations from the State amounting to on average around EUR 365 million per year for the period 2009-11, a maximum of EUR 335 million per year for 2012-15 period, maximum EUR 262 million per year for 2016 to 19, and has been granted maximum EUR 262 million per year for 2020 to 2024. This means an average annual aid of roughly EUR 4.4 to 6 per capita. The purpose of the Italian aid is to preserve the universal

¹⁴⁶ This involves special features not provided by all banks (Aide d'État SA.41147 (2017/NN) – France).

¹⁴⁷ It may be noted that the Commission has also issued a negative decision concerning parts of Spanish State aid, whereby some of the aid granted for 2004-10 was recovered.

service, since the counterfactual calculations showed that, for some years, it would be profitable to discontinue (not only reduce) such services.¹⁴⁸

Hence, the aid amounts for these major recipients have not increased. Since the aid does usually not cover the entire net cost, however, this cannot be seen as an indication of falling net costs. The trend also seems to be an increased number of State aid cases for universal service provision in recent years.¹⁴⁹ Most costs are incurred by **universal service providers**, both for the universal service provision and for the other provisions of the Directive. In some cases, these costs are financed by the **State and hence the taxpayers**, or possibly by **users** (through the prices they pay).

Operational costs for the universal service provider

Operational costs¹⁵⁰ arise mainly from the Directive's requirements to comply with a certain **quality of service**, such as transit time for postal items. This includes notably investments in sorting machines as well as the whole terminal structure with centers and platforms for the delivery process (though a definite causality between all such investments and the provisions of the Directive can of course not be established).

Investments for quality improvement: Germany

As an illustration of the dimensions of investment required for quality improvement, investments made by Deutsche Post to completely reorganize its mail network, including substantial investments in sorting centres and the letter mail processing network may serve as an illustration. Investments during the 1990s (largely before 1997) to achieve this objective amounted to between 7 and 11.5 percent of annual revenues. Around 80 percent of the revenues emanated from letter mail at the time. These investments are obviously not directly linked with the Directive, but they show the magnitude of investments needed for substantial quality improvements at a major postal operator. As a comparison, in 2018 the Deutsche Post investments in the mail segment had decreased to 4.3 percent of annual revenues. The quality requirements of the Directive could be expected to influence the need to invest in quality, but such major investment decisions also depend heavily on the competitive situation as well as on the internal assessment and strategy of operators.¹⁵¹ As a result, the quality of service improved from 75 percent of letters delivered within one day (D+1) (in 1992) to 95 percent delivered at D+1 (in 1998).

Investments for quality improvement: France

Another example is a letter mail quality project that the French La Poste launched in

¹⁴⁸ State Aid SA.43243 (2015/N) – Italy, recitals 85-86.

¹⁴⁹ EU Commission (DG Competition) database on State aid cases. https://ec.europa.eu/competition/state_aid/register/

¹⁵⁰ In this context, “operational costs” means costs (incl. e.g. investment costs) related to the Directive's provisions, other than the net costs for universal service provision.

¹⁵¹ WIK (2021) p. 233.

2004, aimed at modernising the mail processes, and improving quality of service. La Poste earmarked EUR 3.4 billion for the entire duration of the project. At the end of 2009, the modernization program covered 70 percent of French mail operations: 18 automated mail handling platforms were opened in 2009. By the end of 2011, 41 new generation platforms were implemented, covering 90 percent of French operations. As a result, the delivery quality (D+1) increased from 66 percent before 2004 to more than 87 percent in 2011.¹⁵² While a causal link cannot be made between this type of investments in quality improvement and the quality provisions of the Directive, it is an indication of the type of investments that may be needed to provide a quality performance in line with the Directive's requirements.¹⁵³

If, in the absence of the Directive, quality had been much lower, then the investments to improve quality would have constituted an important cost of the Directive. The need for this type of investments does not seem to have been as high in the last 5 to 10 years, however, as structural letter volume decline (and thereby less actual and potential competition in this part of the market)¹⁵⁴ means **declining need for investments** to comply with the Directive.¹⁵⁵ Concerning personnel costs, because universal service providers have to provide a certain network density and delivery frequency they will incur costs that they would not have in the absence of universal service obligation¹⁵⁶ Staff costs are likely to be a considerable part of this. However, all such costs would be included in the net cost calculations.

All universal service providers also incur **administrative costs**. Such costs relate notably to reporting on the performance of universal service provision, maintaining separate accounts for universal and non-universal services, applying for authorisations to provide universal postal services, and reporting to national regulatory authorities (in some Member States), and requesting approval for tariff increases subject to price regulation. On the basis of estimates made by the universal service operators in Ireland and the UK, the administrative costs of complying with the domestic regulation costs have been estimated at less than 0.4 percent of their turnover of universal services. This should be interpreted with great caution as these two countries may not be representative for all the Member States and the national regulation goes beyond the requirements of the Directive. This estimate therefore provide for an upper limit for estimating the administrative costs of the Directive.¹⁵⁷

¹⁵² WIK (2013), p.220 to 221.

¹⁵³ The background to this type of investment could of course also be the need to face (potential) competition caused by market opening. In that case, too, the investments could be seen as possibly caused by the Directive's provisions.

¹⁵⁴ With continued declining quality of service, however, the Directive's provisions on quality of service could mean that new investments are needed, irrespective of the market situation in terms of competition.

¹⁵⁵ Copenhagen Economics (2018), p. 34.

¹⁵⁶ Delivery staff make up 44 percent of total employment of EU universal service providers (Copenhagen Economics, 2018).

¹⁵⁷ WIK (2021), p. 197. Based on estimates made for Ireland and the UK. Please see Annex 3 for details.

Costs for other postal operators

Postal operators that are not universal service providers also face administrative costs related to universal service provision. Such costs are related notably to authorisation procedures (where applicable), reporting obligations for data collection, and complaints procedures. It concerns all companies that are classified as postal operators. As a percentage of turnover for universal services or services within the scope of the universal service obligation, they are 5 to 10 times lower than for universal service providers. These costs are estimated at 0.01 to 0.05 percent of the relevant turnover.¹⁵⁸

In very few Member States non-universal service postal operators also have to contribute to financing the net cost of universal service provision by contributing fees for **compensation funds**. The postal operators that meet certain size criteria usually contribute a certain percentage of their relevant turnover (i.e., turnover in the universal service area and/or inter-changeable services), or a fee per postal item.¹⁵⁹ In addition to the cost for postal operators, compensation funds often bring administrative costs for the regulatory authorities and they have a negative effect on the competitive situation of the competing operators. In Italy, a dispute as to which operators would have to contribute to the fund, was settled by the Court of Justice of the EU¹⁶⁰, but in the end the fund was never activated.

The general principle of sharing the contribution among all providers, including the universal service provider, according to their market share within the scope of the universal service (or interchangeable services¹⁶¹), must by definition – given the high market share of the universal service providers in that part of the market – result in the universal service provider bearing the by large biggest share of the contribution to the compensation fund.

The limited experience with compensation funds which has only been activated in four Member States¹⁶² raises doubts as to whether the mechanism as such is a cost-efficient way of financing the net costs of the universal service. The administrative costs to set up the fund, fixing the level of contributions, and collecting the fees can be relatively high in comparison with rather limited, received revenues. Also, the paid fee is an additional cost that will eventually be transferred to the customer, making the services of contributing service providers more expensive. Finally, a compensation fund has low incentives to improve the efficiency of the universal service provider. Evidence is too limited to assess

¹⁵⁸ WIK (2021), p.198.

¹⁵⁹ 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. (WIK (2021), p.210. In Poland, the fees amount to max. 2 percent of the revenues from the provision of universal services (and interchangeable services) (State aid SA.38869 (2014/N) – Poland). In Greece, the basic contribution for the other postal operators is 0.5 percent of their turnover in the universal service (which can increase to max. 10% if the operator is mainly active in certain major urban areas). (State aid SA.35608 (2014/C) (ex 2014/N) – Greece)

¹⁶⁰ See Court of Justice of the EU (2018), Decision of 31 May 2018, joint cases C-259/16 and C-260/16 (CONFETRA, AICAI and others v. Autorità per le Garanzie nelle Comunicazioni and Ministero dello Sviluppo Economico).

¹⁶¹ See Recital 27 of Directive 2008/6/EC and the detailed explanation of the concept in Copenhagen Economics (2015), Study on the interchangeability of Universal Service Obligation and non-Universal Service Obligation services.

¹⁶² Only Denmark, Estonia, Poland and Slovakia have actually activated such a fund. WIK (2021), p.210.

the impact of such compensation mechanisms on the efficiency of the universal service providers even more so since efficiency promotion is a process over several years. However, universal service providers in those countries where a compensation fund was activated did not show a high level of profitability, as evidenced in Table 7¹⁶³, was negative or near zero.

Costs for users

As shown in section 3.3, price for postal users have increased in most Member States between 2008 and 2019 notwithstanding price regulation. Without the Directive, as letter quantities decline, a company operating under normal market conditions would likely withdraw from the unprofitable parts of the market that show consistently declining demand. This is not an option for the universal service providers. In this context, the price increase could be seen as a way for operators of making users contribute to share the costs of financing the universal service. As shown in section 3.3 and in Annex 1, section 1.4, parcel prices have not increased as much as letter prices, essentially because of the increase in parcel volumes. The stress on the universal service, and thereby the cost for users, relates largely to the decreasing letter volume. The universal service providers usually have separate networks (as concerns sorting, distribution etc.) for parcel and letters.

Costs for national regulators

National postal regulators are facing significant **administrative costs** directly related to the Directive. These costs concern resources that regulators spend on verifying that the provisions of the Directive are followed. The total such regulatory budget is estimated at around EUR 45 million, which means that the amount per capita is marginal, and lower than the administrative costs for universal service providers. The main categories of administrative costs are shown in the table below.

Table 6 Total budgets of regulators for postal regulation (figures from 2017 or 2018)

Regulatory aspect	Total EU-28 ¹⁶⁴ (EUR million)	Percent share
Total regulatory budget	45.2	
Ensuring / monitoring universal service provision and financing	17.2	38 percent
Quality requirements	4.5	10 percent
Complaint procedures	9.0	20 percent
Price regulation	6.8	15 percent
Administering authorisations & market opening	6.8	15 percent
Harmonising technical standards	0.9	2 percent

Source: WIK (2021), p.166.

¹⁶³ The Danish universal service provider showed negative profitability in 2012, 2016 and 2017, the Estonian universal service provider showed low positive profitability for these years (sometimes near zero). In addition, the Polish universal service provider showed negative profitability in 2016.

¹⁶⁴ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

Benefits for stakeholders and society

The concrete benefits of universal service provisions for **postal users** emanate from the guaranteed access to a postal network (universal service provision), as well as from the Directive's provisions on pricing, quality and complaint handling. Other postal operators benefit from open markets and removal of obstacles to competition.

People depending more on postal services than others in the EU would include:

- 98 million people living in remote and rural areas;
- 62 million people who have never used the Internet;
- 74 million disabled people;
- 105 million people over 65 years old¹⁶⁵.

Some of these groups may however overlap. For instance the elderly and the people who have never used the internet or the people who live in remote and rural areas with all other groups. The magnitude of these overlaps is however impossible to calculate

According to WIK (2021), which included a survey, 79 percent of respondents still use mainly/mostly letters or at least for some specific purposes.¹⁶⁶

The Commission's public consultation showed that 83 percent of EU citizens found that the objective of providing universal service to all citizens across the territory had been completely or partially met. For all categories of respondents, 77 percent agreed that the Directive has completely or partially met this objective. According to the WIK (2021) survey, 82 percent of the operators and 89 percent of the regulators found that the Directive has effectively ensured universal services.¹⁶⁷

Another important benefit of the Directive comes from the nationwide accessibility of universal postal services. This is normally more relevant in **sparsely populated areas**, as postal services tend to be more costly for the operator per item in such regions (due to the fact that there are fewer items that share the delivery costs). Moreover, a "digital divide" between rural households (82 percent have internet access) and urban households is still evident (90 percent have internet access).¹⁶⁸

In 2013, 22.5 percent of the EU population lived in predominantly rural areas.¹⁶⁹ This decreases to 18.6 percent of the EU population in 2019. Given this decrease in rural population, it can be assumed that the societal benefits of postal services diminishes, since the rural regions are mostly concerned by the universal service obligation.

The **age of the population** is also a factor in analysing the importance of universal postal service provision. Older generations usually have lower **digital communication skills** than younger generations¹⁷⁰ (indicating a higher need for postal services), though the difference is decreasing. A 2016 survey from Sweden confirms that the need for next-day

¹⁶⁵ WIK (2021), pp.118-134.

¹⁶⁶ WIK (2021) p. 94.

¹⁶⁷ WIK (2021) p. 189.

¹⁶⁸ Eurostat, WIK (2021), p. 50 and p.122.

¹⁶⁹ Eurostat, CAP Context indicators, 2014 update.

¹⁷⁰ Eurostat, WIK (2021), p. 127.

delivery services is higher for the elderly and residents of areas with poorer accessibility¹⁷¹. The very old may also have special needs. Both these factors increase the benefits of universal postal service provision. Older people (aged 65 years or more) account for 20 percent of the EU28 population, with the share of the very old (80 years or more) standing at 5.7 percent of the total population.¹⁷² With an ageing population, the benefit of universal service has likely increased as the special needs (e.g., potentially impaired vision, mobility issues) that can be served through universal postal services increase.

The overall importance of the Directive in ensuring **social cohesion** is shown in the role it plays for societal inclusion of postal users. Both national regulatory authorities (86 percent) and postal operators (68 percent) agree that the Directive has a positive impact on societal inclusion of postal users.¹⁷³

Requirements on **quality of service** (i.e., transit time for delivery of letter mail) are crucial for building consumer trust in the reliability of postal services. External bodies monitor and verify whether the quality requirements of the Directive are respected. While the significant progress in quality until 2008 has benefitted EU citizens and societal functions as well as businesses, benefits have clearly diminished. Only 20 to 22 percent of all the regulators and operators who replied to the WIK survey fully agree that the Directive has improved the quality of domestic or cross-border services in their countries¹⁷⁴. This may be seen as indications of quite unclear benefits from the Directive's quality provisions.

Price regulation brings benefits to users by limiting price increases to the extent determined by the principles of **cost orientation and affordability**.

Practical benefits can still be seen: price caps are applied in ten Member States (Belgium, Croatia, Estonia, France, Germany, Hungary, Lithuania, Netherlands, Portugal and Sweden).¹⁷⁵ The price caps are geared to inflation, normally the Consumer Price Index. In a few cases, the price cap is set a few percentage points above the change Consumer Price Index, but there are also examples where it is set below the Consumer Price Index.¹⁷⁶ It does therefore not seem to be the case that price caps are set at such high levels that they become irrelevant, so they have led to benefits for users.

Some of the benefits of price regulation can also be seen by comparing actual price development with a hypothetical situation without price regulation. There is some indication when comparing the situation before and after EU membership for the Member States that joined the EU in 2004 and after, nominal price increases were more

¹⁷¹ WIK (2021), p.112.

¹⁷² Eurostat Data explorer, Population statistics: Structure indicators, update 3.7.2020. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_pjanind

¹⁷³ WIK (2021) p. 204.

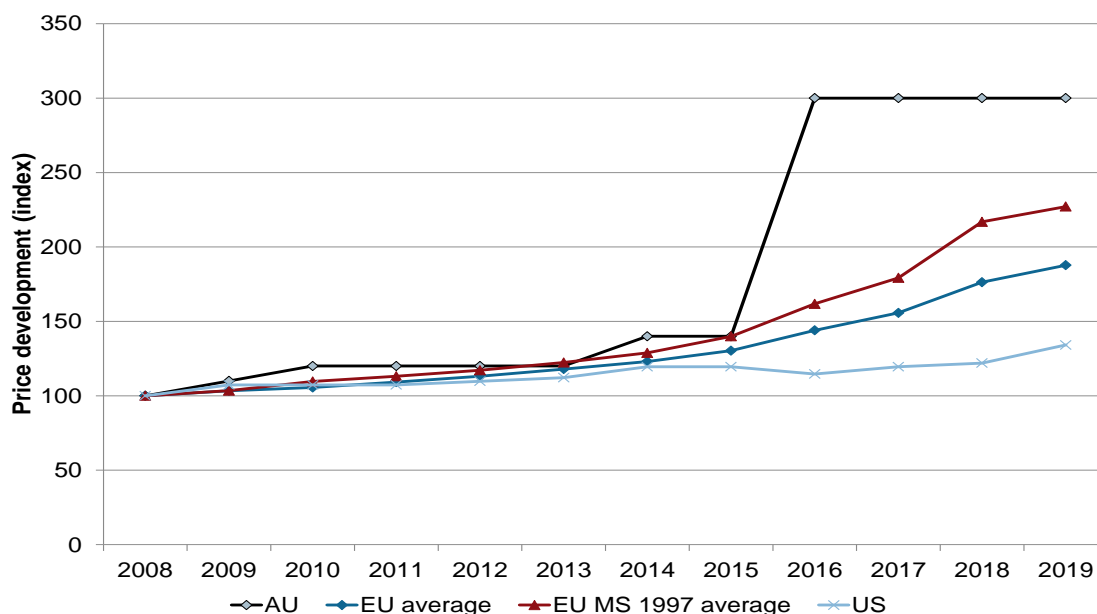
¹⁷⁴ WIK (2021), p.227

¹⁷⁵ See Copenhagen Economics (2018). A report by the European Regulators Group for Postal Services in 2014 indicated that Denmark and Poland also applied price caps. The price cap applied in the United Kingdom is a safeguard cap to ensure affordability and is applied without an efficiency factor. See European Regulators Group for Postal Services (14) 22.

¹⁷⁶ European Regulators Group for Postal Services (14) 22.

pronounced in the period before 2007 than after that date.¹⁷⁷ For the Member States that joined in 2004, average letter prices increased by 8.3 percent annually between 1998 and 2004, and by 5.6 percent annually between 2004 and 2009.¹⁷⁸ This would point to benefits of the Directive for users, but could also be related to general price increases prior to joining the EU. As an international comparison, e.g., Australia split postal service into “priority” and “regular” (lower service levels) in 2016, which led to a dramatic price increase (considerably steeper than the price increases in the EU) for what was called “priority” service. Volumes have continued to decline after 2016, and prices increased further in 2020. Letter prices in the U.S. have grown less than in the EU since 2008, as the U.S. price regulation does not allow the U.S. universal service provider to increase prices beyond the general inflation rate. In the EU the average price for priority letters has increased more than the consumer price index, especially after 2015 when some Member states decided to transfer the higher cost of next day delivery to the customer, but kept the non-priority letter price increase more moderate.

Figure 4 Price developments within the EU, Australia and the US



Source: WIK (2021) p.258, “EU Member States 1997 average” refers to the average price development in EU Member States that had joined the EU by 1997.

If high prices could be shown to correlate with high quality, the benefits of improving one of these factors could be assumed to compensate for the deterioration of the other factor. Comparing the fastest actual transit time and the price for the fastest small letter in each Member States shows, however, that there is no correlation.¹⁷⁹ It seems that high quality does not necessarily come together with high prices.

¹⁷⁷ WIK (2021) p. 24 and p. 258.

¹⁷⁸ Data provided by WIK with the 2021 study. Letter prices, 20g, domestic (converted to Euro using 2019 exchange rates).

¹⁷⁹ WIK (2021) p. 235.

As illustrated by a 2020 WIK survey of postal stakeholders,¹⁸⁰ 86 percent of national regulatory authorities but only 55 percent of universal service providers agreed completely or partly that the Directive has limited price increases and price discrimination.

Finally, the Directive also brings benefits for **universal service providers**. As seen in Table 6 below, there is considerable variation in their overall letter/parcel **profitability**, but most of them show a positive result.¹⁸¹ Profitability, and thereby the benefit of the Directive for universal service providers, is not constant over time though.¹⁸² The table below shows profitability for universal service providers for letters/parcels. It is clear that the picture is varied, with some universal providers showing clear profitability, whereas others are unprofitable. The role as universal service provider brings extra revenues directly related to the additional offices and network. It also means other extra (intangible) revenues related to being a universal service provider, including brand value and demand complementarities, demand effects due to the VAT exemption, as well as network advantages and enhanced advertising effect. Some of them also show profitability thanks to activities outside the parcel/letter segment.

Table 7 Profitability of universal service providers (EBIT margin (Earnings before interest and taxes), letter and parcel segment)

Member State	2008	2012	2016	2017
Austria	16.9 percent	17.3 percent	18.2 percent	18.7 percent
Belgium	11.9 percent (all revenue segments)	22.84 percent	25.2 percent	21.8 percent
Germany	15.1 percent	7.5 percent	8.5 percent	8.3 percent
Denmark	6.9 percent	-0.2 percent	-6.5 percent	-7.5 percent
Greece	1.7 percent	3.6 percent	2.5 percent	-4.2 percent
Spain	3.8 percent	-0.4 percent	-3.1 percent	-5.3 percent
Finland	9.4 percent	6.3 percent	4.4 percent	4.2 percent
France	4.3 percent (all revenue segments)	6.0 percent	5.1 percent	5.3 percent
Ireland	3.7 percent (all revenue segments)	-12.7 percent	-5.9 percent	-4.0 percent
Italy	-1.0 percent	8.9 percent	-11.4 percent	-14.2 percent
Luxembourg	14.7 percent	9.2 percent	4.0 percent	
Netherlands	14.9 percent	3.7 percent	9.6 percent	8.1 percent

¹⁸⁰ WIK (2021) p. 255.

¹⁸¹ For more details on profitability, please see Annex 4.I, section 1.5.

¹⁸² Some studies indicate falling profitability. For instance, according to Copenhagen Economics (2019), Postal services in the EU, p. 26 to 27, the overall profitability of universal service providers actually decreased by some 7 percent over 2014 to 2017.

Portugal	8.5 percent	10.6 percent		14.9 percent
Sweden	5.8 percent	5.2 percent	3.9 percent (2013)	4,6 percent (all revenue segments)
Cyprus	22.6 percent	0.0 percent	16.4 percent	14.5 percent
Czech rep.	1.8 percent	1.5 percent	1.1 percent	0.6 percent
Estonia		4,4 percent	1.4 percent	0.7 percent
Hungary	4.0 percent	-2,1 percent	2.0 percent	0.2 percent
Lithuania	-19.1 percent	0.5 percent	1.5 percent	3.0 percent
Latvia	7.3 percent	8.5 percent	4.5 percent	3.4 percent
Malta	14.1 percent	9.8 percent	10.5 percent	7.9 percent
Bulgaria	2.7 percent	-8.7 percent	-5.1 percent	
Croatia	-12.4 percent	-0.7 percent	8.0 percent	9.7 percent

Source: WIK (2020), p. 192-93, and data provided by WIK in connection with this study.

As a rough comparison with some major express operators:

- The operating margin (EBIT) of Federal Express has fluctuated between 5 percent and 7 percent between 2010 and 2013, to reach 8-10 percent in 2013-15, and fall to around 4 percent - 6 percent in most of 2016-2020.¹⁸³
- For United Parcel Service, the corresponding figures were 8-11 percent in 2010-2012, below 3 percent in 2012-13, and 9-12 percent in 2014-2020.¹⁸⁴
- The Express Division of DHL has shown EBIT margins of around 9-12 percent in 2013-2018.¹⁸⁵

Comparing costs and benefits

For the **State**, in Member States that pay **net cost compensation** for universal service provision, the cost per capita can be an additional EUR 2 to 6 in the highest cases. While the net cost compensation can vary significantly, with some extreme cases, the costs per capita for ensuring universal service provision, incurred by the regulatory authorities, can be estimated at below EUR 0.1 per capita annually. This should be put in relation to the benefits which include improved social cohesion as the universal service enables general access to affordable communication services. The universal service also creates or maintains comparable living conditions in rural and urban areas (territorial cohesion) and enables reliable communication among citizens, businesses, and public institutions.

By adding the estimated **total administrative cost for universal service providers** and the estimated total cost for national regulatory authorities, the costs per capita for ensuring universal service provision can be estimated at below EUR 0.20 per year in

¹⁸³ <https://www.macrotrends.net/stocks/charts/FDX/fedex/operating-margin>

¹⁸⁴ <https://www.macrotrends.net/stocks/charts/UPS/ups/operating-margin>

¹⁸⁵ DPDHL Annual reports.

many Member States.¹⁸⁶ The costs relating to **quality requirements** are rather low while the benefits of improved quality are important for society as a whole, and the quality standards contribute to creating transparency. Compared to the situation in 2008, benefits to postal users (results on actual quality in terms of delivery time, as shown in section 5.1 above) have been going down, while costs are about the same as earlier, meaning a decrease in efficiency.

Table 8 summarizes the costs and benefits of universal service provision and regulation per economic actor or group in society, and estimates where possible the costs.

Table 8 The costs and benefits of universal service provision and regulation

	Costs	Benefits
Regulatory authorities/ Member States	<ul style="list-style-type: none"> Administrative costs of regulatory authorities (e.g., controls regarding price, quality and market opening) [Less than EUR 0.1 per capita annually] Finance for universal service net costs (State aid) [Up to EUR 2-6 per capita annually] 	<ul style="list-style-type: none"> Social/ territorial cohesion
Universal service providers	<ul style="list-style-type: none"> Operational costs for compliance with the Directive's provisions Administrative costs (e.g. reporting, maintaining separate accounts, authorisations/licenses) [Estimated at EUR 0.20 per capita maximum] 	<ul style="list-style-type: none"> Intangible benefits (e.g., brand value, demand complementarities, network advantages, enhanced advertising effect).
Other operators	<ul style="list-style-type: none"> Administrative costs Contribution to compensation fund (where applicable) 	<ul style="list-style-type: none"> Potential access to network of universal service provider
Consumers and citizens	<ul style="list-style-type: none"> Price paid for universal service products 	<ul style="list-style-type: none"> Access to affordable communication services

Q2: Is there scope for a more cost-efficient application of any provisions of the Directive, including for simplification and burden reduction?

For certain universal service obligations, such as the delivery frequency and delivery times, the Directive provides only limited flexibility, to address the growing decrease in interest for fast delivery of letter mail. The provision on the compensation fund does not seem to be cost-efficient, because the received fees are not sufficient to cover the entire net cost and it entails administrative burden. The fund does not encourage the universal service provider to improve its efficiency. Complaint procedures in the Directive do not sufficiently take in account the information needs of recipients which is especially

¹⁸⁶ Please see annex 3 for details.

important for parcel delivery. Without substantial additional costs, the publication requirements on complaints may become more effective by providing more useful detailed information.

Scope of minimum universal service: delivery frequency requirements

Because of the declining demand for letter mail and the reduced need for fast delivery service levels by recipients and senders, the current mandatory delivery frequency threshold of five days per week may not be cost-efficient. For some Member States an imbalance may emerge between the cost of a daily delivery frequency and the benefits, even if for some operators, it seems important to maintain it to keep a reasonably high level of mail volume.

The Directive allows Member States to derogate from the minimum frequency of five days per week. This is cost effective as it aims to reduce high delivery costs when circumstances or geographical conditions are deemed exceptional¹⁸⁷. Until now most Member States have used the derogation in a measured way and mostly to deal with exceptional situations (although some have gone considerably further). This can be derived by the fact that the derogation only affect a small part of their population, in most cases less than 1 percent¹⁸⁸¹⁸⁹.

However, in Member States where all actors in society have widely adopted digital communication and senders and users no longer need regular daily delivery of letters as they did before, the requirement of a minimum five days per week delivery may become too costly in proportion to the users benefits. The derogation is not in principle designed to solve this cost benefit imbalance. Its purpose was never to deal with this massive shift in user behaviour nor with the increasing financial burden when unit costs increase because of substantial lower letter mail volumes.

The evaluation finds that the requirement of a minimum five days per week delivery may no longer be cost efficient. A relaxation would not affect the increasing need for faster parcel delivery, as Member States have in a many cases separate networks for parcel and letters.

Quality of service: transit times for domestic and cross-border services

The flexibility Member States have in setting domestic transit times can be considered as cost efficient because it allows Member States to adjust transit time (speed of delivery) and standards to the appropriate service level needed by postal users. There is however limited flexibility for cross-border delivery times as these are contained in the Directive itself.

In the last five years, some Member States used the flexibility for domestic transit times provided in the Directive, because a large part of the society primarily use digital means

¹⁸⁷ For example delivery too mountainous and island regions where delivery costs are much higher

¹⁸⁸ Copenhagen Economics (2018), page 193, Figure 84.

¹⁸⁹ Italy is the exception where the derogation covers 25 percent of the Italian population. Regulatory and legislative changes in 2014 and 2015 allowed Poste Italiane to implement an XY delivery model in the most rural areas of the country, where mail is delivered on Mondays, Wednesdays and Fridays during the first week and on Tuesdays and Thursdays in the second. The precise overall cost is not published.

for a wide range of communication needs. This shift has been further accelerated when authorities encouraged or imposed digital communication exchange between citizens and public authorities. To mitigate the rising unit costs when letter volumes decline substantially, these Member States have implemented slower transit times than D+1 for the fastest letter product (Denmark D+5, Finland D+4, Sweden D+2). The decision was motivated by the fact that a fast service at D+1 covers more than what is needed by different user groups (e.g., certain private recipients and senders in rural/urban areas, small and medium enterprises, larger senders such as banks, telecoms, government institutions and e-retailers).

While it is cost efficient for authorities to adapt their national legal framework to slower domestic delivery it creates a conflict with the D+3 target that the Directive requires for cross-border delivery. Cross-border delivery of universal letter mail requires two operators working together, implying that a slower delivery by the operator in the country of the recipient prolongs the total cross-border transit time from sender to recipient.¹⁹⁰

For cross-border (i.e., intra community) mail, quality standards on routing times and the regularity and reliability of services are set by the Parliament and the Council. They can only be changed through a regulatory procedure with scrutiny.

Financing of the universal service: compensation fund

The compensation fund where providers of postal services have to pay a fee per item or a share of their turnover is an option to finance the net cost of the universal service. Even if it is legally allowed in 18 Member States, only four Member States have established and activated such funds (but not always systematically in all years)¹⁹¹. From a cost efficiency perspective the compensation fund method has certain limitations that may explain why it is not widely adopted. First, the fee contributions received from other providers do not appear sufficient to cover the entire net cost, especially when this cost is growing in a declining market and the universal service provider has a strong position. State aid funding is then needed in addition. Secondly, there is some evidence that the administrative cost of the sharing mechanism may be relatively high in proportion to the contribution fees¹⁹² and that organising this contribution from other operators means an additional layer of administrative burden for both regulators and operators. Not only the criteria to determine which postal operators have to contribute to the fund must be established and verified by both regulators and operators, but also the mechanisms for collection and transfer of the contributions (often a fee per relevant postal item) must be established. Thirdly, sharing the burden among postal operators sets low incentives for a

¹⁹⁰ The operator in the origin Member State that collects, sorts, and dispatches in the home country, and the operator in the destination country that sorts per post code and delivers to the addressee. This split in activities implies that the operator in the origin Member is dependent on the other operator for its cross border transit time performance. When certain Member States relax domestic transit time for the fastest service category the delivery performance of the operator in the origin country will also slow down.

¹⁹¹ WIK (2019), p. 60.

¹⁹² WIK (2021), page 210: 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.¹⁹²

universal service provider to improve its efficiency and deters market entrance.¹⁹³ Other operators have to pay a higher fee, the higher the relevant market share they have achieved, which deters their market position. This would in the longer run have negative effects on the competition in the postal sector.

The evaluation concludes that the compensation fund is not very cost efficient, because benefits do not outweigh the cost.

Complaints

Whereas universal service providers in 17 Member States did measure and publish indicators on complaints in 2018, in five Member States there was only a requirement to measure (not publish), and in six Member States there was no such requirement at all.¹⁹⁴ Accountability and transparency promote a more efficient and reliable dispute resolution and enable the wider public and stakeholders to monitor how qualitative the universal service has been provided to the users. As there is quite a variety in reporting on complaints the provisions of the Directive on this matter could be more explicit so that there is a more uniform approach in all Member States.

The mandatory complaint handling standard EN 14012, which requires that a maximum time for response to the complainant shall be defined (but does not recommend the time scale), is not applied in all Member States.¹⁹⁵ The standard also provides guidelines for compensation procedures and damage compensation. The standard is only applied by 14 Member States.¹⁹⁶ If Member States were urged to oblige their universal service providers to apply standard EN 14012, this would contribute to reinforcing consumer confidence in the postal sector and to correctly addressing their claims.

The Directive provides that complaints be available to “users” (which are according to the definition “senders and addressees”), but in many Member States the receiver (who in the case of e-commerce, has a contractual relationship with the provider, not the postal operator) does not have a real option to launch a complaint. This is particularly relevant in case of parcel deliveries where the receiver may suffer from damages to the parcel received. The benefit to users would increase if the rights of the recipients were more explicitly taken into account. This seems to be supported by the public consultation where of the 28 consumer respondents that filed a complaint 16¹⁹⁷ were not satisfied with the handling of complaints by universal service providers and postal operators. The main reasons given are the very long time for processing complaints, or the fact that the postal operator do not provide any reply to the complaint.

¹⁹³ WIK (2021), page 211: A universal service provider with inefficient postal operations and low level of commercial success has a much higher risk of facing problems to sustainably finance the universal service obligation. 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 universal service provider for improving its efficiency. More importantly, it negatively affects the competitive situation of competitors that have to contribute to the fund.

¹⁹⁴ European Regulators Group for Postal Services PL II (19) 35, p. 51.

¹⁹⁵ European Regulators Group for Postal Services (2019) PL II (19) 35 and WIK (2021) p. 303.

¹⁹⁶ WIK (2021), page 303, Application of technical standard for complaint procedures EN 14012

¹⁹⁷ How satisfied were you with the way in which your complaint was handled? EU citizens replied: I was not satisfied (14 citizens) and I was slightly dissatisfied (two citizens).

5.3 Coherence

Q1: To what extent is the Directive internally coherent as well as coherent with the Regulation on cross-border parcel delivery services?

The Directive is internally coherent. Stakeholders did not express themselves on the Directive's internal coherence. Possible frictions between the principles of affordability and cost orientation for tariffs should be further assessed.

The provisions of the Directive are consistent with each other and their articulation help ensure the achievements of the Directive main objectives. Their interaction is already explained in the intervention logic. In particular, the articles on the scope and features of the universal service are clearly interlinked and consistent with each other. The scope of the universal service and its evolution in response to technical, economic and social environmental developments and the needs of users are to be considered together. The provisions on the financing, accounting and the guidance on calculating the net cost are complementary to each other to ensure there is no cross-subsidisation. The only exception regarding full consistency concerns the principles underpinning the Directive's rules on tariffs. The Directive requires prices of postal services to comply with the two principles of affordability and cost orientation. The principle of affordability requires that letter mail tariffs are affordable to all users. The principle of cost-orientation requires that tariffs are geared to the costs of an efficient universal service provider. Cost-orientation in this sense is in principle the "cost of efficiency" defined as long run incremental costs including common costs and a profit-mark-up.

Compared to 2008, the unit cost for letter mail has increased significantly and in such circumstances the cost orientation principle can be a driver for higher prices and not for limiting them. At first sight this might create a conflict between the principles of affordability and cost orientation as the national regulatory authority should aim at limiting price increases for postal users. However, as illustrated in Section 5.1 Q1, in reality even with cost based tariffs, prices are still at level where they do not conflict with the affordability goal.

The Parcel Regulation builds on and complements, insofar cross-border parcel delivery services are concerned, the rules set out in the Directive in relation to regulatory oversight, transparency and assessment of tariffs. The Parcel Regulation in particular increases the transparency of single-piece tariffs for certain items and provides for an assessment procedure to identify tariffs that are "unreasonably high." In that assessment the Parcel Regulation refers to the principles of affordability and cost-orientation as established in the Directive. The Regulation builds in general on the definitions from the Directive, and its provisions foresee that the national regulatory authorities established by the Directive undertake an assessment of certain universal service parcels.

Q2: To what extent is the Directive coherent and complementary with other EU-level legislation and horizontal policy as well as international postal policy?

The Directive is generally coherent and complementary with other legislative initiatives impacting on the postal sector, in the field of VAT, customs, services, road transport and consumer rights. With regard to its consistency with the main policy objectives at EU level, certain features of the universal service obligations such as the delivery frequency might interlink with the EU Green Deal objectives. In addition, certain features of the Directive such as improving cross border delivery might interlink with EU objectives in digital markets. As the postal sector is labour-intensive, actions on employment and working conditions developed under the European Pillar of Social Rights may have an impact on the functioning of postal market legislation.

Several EU level instruments touch upon different aspects covered by the Directive or are potentially relevant for the provision of postal services. A few stakeholders in replies to open questions and position papers have mentioned the importance of regulatory coherence between the Directive and some of these, in particular with Regulation (EU) 2018/644; from these few interventions, it cannot be concluded that it would be required to include specific non-postal aspects in sectoral legislation. Most of them entered into force after 2008 and usefully complemented the application of the Directive. This is particularly the case of the Services Directive¹⁹⁸, Road Transport, Consumer Rights¹⁹⁹ and standardisation. In the case of the VAT-Directive²⁰⁰ that allows to exempt universal postal services from VAT there is to the extent that this constitutes a special right a limited discrepancy to the Directive that has abolished all special rights²⁰¹.

In addition the Directive should also be assessed for its coherence and complementarity with broader policy objectives for the EU.

Green Deal

Environmental protection is listed among the essential requirements that may induce a Member State to impose specific conditions on the supply of postal services. A majority of postal providers in the EU have undertaken measures to limit the negative environmental impacts of postal service provision. However the environmental footprint of mail and parcel delivery linked to the collection, sorting, transport and delivery and the universal service obligations to deliver certain services at certain frequencies and speed, could cause potential tensions with the objective of the EU Green Deal objectives to reduce greenhouse gas emissions by at least 55 percent by 2030²⁰² and to become

¹⁹⁸ Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market (“Services Directive”).

¹⁹⁹ Consumer Rights Directive, ADR and ODR.

²⁰⁰ VAT exemption under Article 132 (1a) of the Directive on a common system of VAT (recast Directive 2006/112/EC).

²⁰¹ For more details see Annex 5.

²⁰² Regulation No 561/2006 as amended by Regulation No 165/2014 as interpreted by the Court in C-374/18 (UPS ./ Deutsche Post).

²⁰² PostEurop has informed in their position paper that the aim of universal service providers is to reduce carbon emissions for letter and parcel by 20 percent by 2025, from a 2013 baseline year.

climate-neutral by 2050. Maintaining a high delivery frequency in a sector with steep letter volume decline would increase the environmental footprint per letter. Only 20 percent of the respondents to the public consultation considered that the Directive was in line with environmental regulations, though 76 percent considered that the postal sector has contributed to the fight against climate change.²⁰³

Digital Single Market

Ending unjustified cross-border ecommerce barriers, improving cross-border parcel delivery services, protection of online customer rights and promoting cross border access to online content are cornerstones of the Digital Single Market Strategy. A new regulatory framework on geoblocking entered into force on 3 December 2018²⁰⁴. This framework tackles discrimination against consumers and, in limited cases, against businesses, based on their nationality, place of residence or establishment when they buy goods or services online. The Report by the Commission on the first short-term review of the Geoblocking Regulation of 30 November 2020²⁰⁵ concluded that the potential discriminatory effects of certain traders' practices such as deliberately limiting delivery options for certain products or websites in countries otherwise served by the trader without any objective justification not directly addressed by the Geoblocking Regulation may still be subject to case-by-case scrutiny; consequently further guidance may be needed.

Digitisation has resulted in an increasing number of online platforms that facilitate the delivery process for their users and provide tailored made delivery management solutions.²⁰⁶ While a gateway position of online platforms enables them to organise millions of users, it may also open up for the possibility for unilateral trading practices that might be harmful in certain circumstances. To address these concerns, the Platform to Business Regulation²⁰⁷ was adopted on 20 June 2019. This Regulation aims at taking action against unfair contracts and trading practices in the platform-to-business relations. The Commission's proposed Digital Market Act also aims at tackling unfair practices of gatekeepers.²⁰⁸

It will be important to explore whether synergies can be made from further aligning EU postal and delivery priorities and objectives with those of the digital single market

²⁰³ 2020 Public consultation on the evaluation of the Postal Services Directive. See summary in Annex 2.

²⁰⁴ On 30 November 2020, a Report was published by the Commission, where it appeared that the first months of implementation by national enforcement and assistance bodies showed that, when it comes to disputes and problems, consumers have often greater expectations about the rights and obligations at stake. These expectations were especially high for the denial of cross-border delivery, or the absence of delivery options for certain countries, especially by multinational traders. Obligations in these areas were not provided for in the Geoblocking Regulation.

²⁰⁵ Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Region on the first short-term review of the Geo-blocking Regulation, COM(2020) 766 final of 30.11.2020.

²⁰⁶ See for example: <https://www.parcelhub.co.uk/>.

²⁰⁷ Regulation (EU) 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 (Text with EEA relevance), OJ L 186, 11.7.2019, p. 57–79

²⁰⁸ See for further details: https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/digital-markets-act-ensuring-fair-and-open-digital-markets_en.

especially in the area of cross-border e-commerce, or whether one framework may create tension with the other.

65 percent of the business respondents to the public consultation considered that the Directive were largely or partly in line with the Digital Single Market Strategy and its subsequent policies, while only 11 percent of the responding consumers and 30 percent of the public authorities agreed.

Competition rules

Ensuring the sustainability of the universal service, and thus the compensation of the possible net cost associated with it, commonly involves State aid in accordance with the Framework for State aid on Services of General Economic Interest²⁰⁹. The Directive and the State aid framework are complementary and ensure that universal service providers are not overcompensated by the State or that any such State aid distorts competition.

Social and territorial cohesion

The Directive with its ubiquitous universal service obligation contributes to one of the objectives of the social and territorial cohesion policy by enhancing access to and use and quality of postal services. It should particularly be noted that maintaining uniform tariffs for certain postal items is explicitly motivated by regional and social cohesion²¹⁰.

Employment

The 2008 amendment to the Directive introduced²¹¹ general non-economic reasons which can cause a Member State to impose conditions on the provision of the universal service²¹². This provision is as such coherent with EU labour law, while respecting national law and collective agreements by social partners. The Directive does not affect labour law related to legal or contractual provisions on employment conditions, working conditions, including health and safety at work and the relationship between employers and workers, which Member States apply in accordance with national law and in conformity with EU law.²¹³ As the postal sector is labour-intensive, actions on employment and working conditions developed under the European Pillar of Social Rights²¹⁴ may have an impact on the functioning of postal market legislation.²¹⁵

²⁰⁹ Commission of Decision 20 December 2011 on the application of Article 106(2) TFEU on State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of Services of General Economic Interest, OJ L 7, 11.1.2012, p. 3-10, and Communication from the Commission — European Union framework for State aid in the form of public service compensation (2011), OJ C 8, 11.1.2012, p. 15–22.

²¹⁰ See recital 38 of Directive 2008/6/EC.

²¹¹ One of the reasons is the respect for the terms and conditions of employment, social security schemes, laid down by law, regulation or administrative provision and/or by collective agreement negotiated by national social partners, in accordance with Community and national law.

²¹² Moreover, in Article 9(2), where necessary, Member States may reflect working conditions in their authorisation procedures in line with national legislation. As Section 5.3.Q2 focuses on coherence with EU legislation, this particular provision, which has to be in line with national law, is not highlighted in the text.

²¹³ The 2008 amendment to the Directive, recital 53.

²¹⁴ https://ec.europa.eu/info/european-pillar-social-rights-0/european-pillar-social-rights-20-principles_en

²¹⁵ The European Pillar of Social Rights Action Plan adopted by the Commission on 4 March 2021, sets out concrete initiatives and headline targets for the EU to be achieved by 2030.

Universal Postal Union and International Agreements

The Universal Postal Union sets terminal dues, i.e., the remuneration between universal service operators for the delivery of cross-border letter mail and inward land rates for the delivery of cross-border parcels. In the past the very low terminal dues have raised substantive concerns regarding the respect of the cost-orientation principle of the Directive. This is because they did not reflect the actual cost of cross-border delivery for the final delivering universal service operator. This also impacted negatively on EU e-commerce providers as the low terminal dues that EU universal service operators charge their counterparts in developing countries did not cover the costs for the provision of the last mile delivery. In September 2019 the Universal Postal Union Convention was modified and terminal dues will now (till 2025) be based on so-called self-declared rates (that are linked to 70 percent of domestic single piece tariffs). This largely resolves the inconsistency of the Universal Postal Union Convention with the cost orientation principle of the Directive. Furthermore, most of the European Union Free Trade Agreements contain provisions on postal and courier services. Amongst other, they prevent discriminatory practices at the border and require an independent regulatory authority. No coherence issue arises, as Free Trade Agreements provisions are based on the same principles as the Directive.

Import VAT and customs issues

Another element that could be considered as potentially incoherent with the rules of the Directive will eventually be eliminated by 1 July 2021²¹⁶. This concerns the so-called small consignment importation exemption, which exempts from the import VAT goods with a value up-to EUR 22²¹⁷. These items, usually contained in letters or packets, also benefit from simplified customs procedures (use of UPU forms CN 22 and CN 23 instead of a formal customs declaration).

Besides, for goods in postal consignments, such simplification applies up-to an intrinsic value of EUR 150 per consignment. This simplified procedure will be abolished in parallel. From 1 July 2021, the abolition of the “small consignment importation exemption” and the extension of the use of standard customs declarations also to

²¹⁶ Due to the practical difficulties created by the measures taken to contain the coronavirus pandemic, the application of the VAT e-commerce package was postponed to 1 July 2021: Council Decision (EU) 2020/1109 of 20 July 2020 amending Directives (EU) 2017/2455 and (EU) 2019/1995 as regards the dates of transposition and application in response to the COVID-19 pandemic (OJ L 244, 29.7.2020, p. 3–5); Council Regulation (EU) 2020/1108 of 20 July 2020 amending Regulation (EU) 2017/2454 as regards the dates of application in response to the COVID-19 pandemic (OJ L 244, 29.7.2020, p. 1–2); Council Implementing Regulation (EU) 2020/1112 of 20 July 2020 amending Implementing Regulation (EU) 2019/2026 as regards the dates of application in response to the COVID-19 pandemic (OJ L 244, 29.7.2020, p. 9–10); Commission Implementing Regulation (EU) 2020/1318 of 22 September 2020 amending Implementing Regulations (EU) 2020/21 and (EU) No 2020/194 as regards the dates of application in response to the COVID-19 pandemic (OJ L 309, 23.9.2020, p. 4–6).

²¹⁷ This elimination is also addressing the problem of fraud caused by a previously misused VAT exemption for goods valued at under EUR 22 coming from outside the EU which can distort the market and create unfair competition. High value goods were often mislabelled in small packages as having a value under the threshold of EUR 22 in order to avoid the payment of import VAT and customs duty and to benefit from a simpler customs treatment. Such VAT losses are creating a gap of EUR 7 billion annually in the revenues of EU Member States.

universal service providers will ensure full coherence with the Directive that requires the abolition of special and exclusive rights.

However, the subsequent obligation to complete a customs declaration may result in the universal service providers charging fees for acting as a customs representative for consignments which so far were delivered without any supplementary charges. In some Member States consumers are not informed individually about their right to clear the postal consignment on their own and, in addition, fees charged by the universal service providers amount to EUR 15 to 24 for consignments with values below EUR 150 without assessing their proportionality to the service rendered. These practices may raise issues from a consumer perspective and could possibly constitute an infringement of TFEU and customs law.

5.4 Relevance

Q1: How well do the original objectives, scope and definitions of the Directive still correspond to the needs of EU postal users in the current technical, economic and social conditions?

Even if users' needs have changed, continuing to regulate a minimal scope of universal service continues to be relevant, albeit the products included and related features and quality requirements might need to differ between Member States. Promoting a well-functioning and competitive internal market remains a valid and relevant objective for postal users, undertakings and employees alike, both for the present and the foreseeable future.

The needs of those who use postal services have changed to some extent since the universal service obligations were designed in 1997.²¹⁸ Postal users today generally want to maintain the quality of service and other features they are used to, even though many could accept reductions in quality for a corresponding reduction in price. Recent surveys by national regulators show that it is still important for users in some Member States to send and receive postal items and this will in all likelihood remain so for the next five to ten years. For instance, 69 percent of the Belgian private persons would feel closed off from the outside world if they could not send or receive any mail anymore. In case of people over 65 this share is 84%. Vulnerable users, with limited mobility or a visual impairment, who are not online-oriented, remain greatly dependent on postal services²¹⁹ Delivery of e-commerce parcels, medical supplies, cards, election and court documents is important today and will remain so in the future.

²¹⁸ The assessment of current and future users' needs was based on WIK (2021), which undertook a comprehensive literature review and an online stakeholder survey answered by 419 postal stakeholders (331 business senders, their associations, and consumer associations, 44 regulators and 44 operators, including 28 universal service providers). For more details, consult section 1.3 of Annex 4.

²¹⁹ WIK (2021), p.106 and 134, based on surveys in Belgium in 2017, Sweden in 2016 and 2018, Portugal in 2017, the Slovak Republic in 2015, and the United Kingdom in 2012.

Objective 1: Guarantee the sustainable provision of affordable and high quality universal service to all users throughout the EU

While overall individuals use letter mail less frequently than before, large senders such as public utility companies, financial institutions and public administration organisations, as well as small and medium sized enterprises still very much rely on letter mail for certain transactions and administrative purposes. Vulnerable users such as those with low income, lack of digital skills²²⁰, residence in remote and rural areas, and reduced mobility or disabilities, are also more likely than others to remain dependent on postal services.

The substantial gap between urban and rural broadband penetration rates has not decreased between 2010 and 2019. The share of rural households that subscribe to broadband varies widely, from over 90 percent in Luxembourg and the Netherlands to less than 50 percent in Bulgaria and Finland²²¹. The specific geographical and social circumstances also vary. In Member States such as Estonia, Ireland, Slovenia and Romania more than half the population reside in rural areas.

As evidenced by a recent study by Citizens Advice²²², letter mail continues to play an important role for individual recipients, as missing letters can cause missing health-care services benefits, housing and employment opportunities, as well as incurring financial losses and debt. Over 40 percent of the persons who do not receive their letter mail have experienced financial losses because of missed letters. On average, this amounts to around EUR 950 per person.²²³

The WIK online survey shows that being connected to the postal infrastructure and able to send and receive postal items remains of particular importance for private and business users²²⁴. Just 5 percent of the respondents to the Commission's public consultation questioned the continued relevance of the universal service objective of the Directive. However, 65 percent of the respondents believe the Directive requires adjustments, mostly companies – over 80 percent – and consumers – over 60 percent, while ten out of 13 national regulators believe it is still necessary but requires significant changes.

Based on available evidence, the objective of setting a minimum level of affordable postal universal service for letter mail therefore remains relevant in today's circumstances.

As the parcel delivery segment functions well and new operators, as well as new technologies, continue to emerge, there appears to be no risk of market failure in terms of parcel delivery, more specifically what concerns e-commerce delivery, business users and bulk parcels. The necessity of regulatory intervention can therefore be questioned²²⁵

²²⁰ According to WIK (2021), p.126, 12 percent of EU citizens still lack the necessary digital skills to use the internet at all and 25 percent of those who use it report low levels of digital skills, which could prevent them from replacing letters with digital solutions

²²¹ Digital Economy and Society Index (DESI) 2020, Thematic chapters, p.27.

²²² Citizens Advice (2020), Millions without Mail.

²²³ *Idem*, p.21.

²²⁴ WIK (2021), pp.134-6.

²²⁵ As discussed in Section 6.1, most businesses selling online in the EU today can choose from at least ten parcel delivery operators. E-commerce shoppers across the EU, including in rural areas, often have

at least in what concerns keeping bulk parcel delivery services in the scope of the universal service.

Conversely, it appears that providing for the possibility to keep single-piece parcels (the type of parcels sent by consumers) in the scope of the universal service in order to ensure a minimum level of affordable universal single-parcel delivery service for all continues to be relevant, at least in certain Member States or regions.

In sum, the extent of regulatory intervention in relation to the universal service will have to be further considered. This could include assessing possible changes in the definition and application of a minimal set of basic universal services to all, at quality levels tailored to the specific needs of every Member State/region.

Table 9 Relevance of the universal service features and quality requirements, present and future

Relevance of the universal service features and quality requirements from a users' perspective				
Product Feature	Letters		Parcels	
	Present relevance	Future relevance	Present relevance	Future relevance
Delivery across the entire territory of the country	High	Average – to be assessed with development of electronic alternatives	High	Increasing along with the use of e-commerce
Accessibility of postal office/point of contact	Average, users report satisfaction with density, albeit varied	Average, mainly for non-postal services and low-mobility users	High	Increasing, need for longer hours and flexibility
Delivery to the door	High, for both private users and SME's	High, but relevance to be assessed with usage of mail	High	Increasing, demand for more flexibility and alternate solutions
Daily (weekdays, 5 days/week) collection and delivery	Important for business users	Decreasing for consumers, likely to remain important for business users	Increasing	Increasing
Speed of delivery	More important for business users than consumers	Decreasing for consumers, likely to remain the same for business users	High, users prefer greater certainty of delivery times	Increasing, demand for more flexibility and predictability in the delivery time (day and time of day)

access to the same delivery options and largely pay the same for deliveries of goods bought online. Copenhagen Economics (2020), Principles of EU postal regulation and implications for the future, p.7

Affordable prices	High	Likely to stay the same	High, for both consumers and business senders	Increasing
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Source: WIK (2021), European Regulators Group for Postal Services²²⁶, 2020 public consultation

Objective 2: Establish a well-functioning and competitive Internal Market

The level of concentration in letter mail markets is increasing in some Member States. The most notable competitors in recent years have either exited the market (e.g., in Belgium and Poland) or have been acquired by the incumbent (e.g., in the Netherlands and in Italy). The recent evolution in the Netherlands is particularly interesting in that respect. Initially, the incumbent PostNL’s intention to acquire its largest competitor in the letter market (Sandd) was blocked by the Netherlands Authority for Consumers and Markets on the grounds that it would re-establish a *de facto* mail monopoly in the Netherlands. This decision was nevertheless overruled by the Dutch Ministry of Economic Affairs and Climate Policy which argued that the acquisition would “ensure that mail delivery remains affordable, available and reliable in a sharply shrinking market”²²⁷. This led to the *de facto* re-monopolization of the Dutch letter market²²⁸.

In its 2019 manifesto, the trade association of European public postal operators, PostEurop, argue that the relevance of the current objective of a competitive internal market for postal services should be reassessed in the current context of shrinking demand for letter mail and significantly changed users’ needs, and be balanced against the objective of ensuring the sustainability of the universal service²²⁹. Universal service providers are concerned that cherry picking by competing operators would make it even more difficult to sustain the universal service which is already constrained by declines in letter mail volumes. Based on available information, it cannot be evidenced that such cherry picking practices have so far materialised in practice. Available, though limited, evidence suggests that in Member States where there has been some competition this has helped stimulate demand and supply and enabled the letter mail market to expand, for instance in Germany (2008) and the United Kingdom (2006). This also provided incentives for universal service providers to become more efficient and thus contributed to guaranteeing the universal service²³⁰.

Importantly, available evidence suggests that where access to the incumbent’s network was granted under transparent and non-discriminatory conditions to different types of operators and consolidators, postal users (especially businesses) have benefited from lower prices²³¹. Ensuring the possibility and threat of competitive market entry therefore seems to provide incentives for universal service providers to become more efficient,

²²⁶ European Regulators Group for Postal Services (16) 36, Report on Universal Services in light of changing postal end users’ needs.

²²⁷ <https://www.rijksoverheid.nl/actueel/nieuws/2019/09/27/onder-streng-voorwaarden-vergunning-voor-overname-sandd-door-postnl>

²²⁸ WIK (2021), p.36.

²²⁹ PostEurop, 2019, Delivering a Sustainable European Post, the manifesto of the European Postal industry setting out its priorities and goals for the new regulatory term, p.7.

²³⁰ WIK (2021), p.280.

²³¹ *Idem*, p.285.

offer good quality at lower prices, address users' concerns, innovate and develop new services.

The European Regulators' Group for Postal Services considers that promoting competition in letter mail markets remains a valid and important objective to pursue, especially in Member States and markets where volumes of letter mail are still or are likely to remain significant such as, for instance, bulk mail from large business senders and public administrations. They argue that the focus of EU regulation in this field should shift from protecting the postal users through the provision of the universal service to ensuring the proper functioning of the postal markets, namely sufficient actual or potential competition²³². 65 percent of the respondents to the open public consultation consider that the objective of ensuring competition in the postal markets is still relevant: over 90 percent of all responding regulators, 79 percent of all responding consumers, 55 percent of the trade unions and 22 percent of the universal service providers.

Based on available evidence, safeguarding a well-functioning and competitive single market therefore remains a valid and relevant objective for postal users, undertakings and employees alike, both for the present and the foreseeable future.

Objective 3: Having a general set of harmonised principles for the regulation of postal services

The purpose of establishing harmonized principles for the postal services sector was to create a similarity of competitive conditions for postal operators across the EU, in order to facilitate the establishment of postal service providers and competition and to ensure that postal users across the EU enjoy the same level of postal services. As the postal markets continue to be very diverse and evolve differently and because in many Member States the universal service providers are still controlled by the State, establishing a set of harmonised and unbiased principles at EU-level for the regulation of the postal sector remains more relevant than ever.

Postal services is a network industry where interconnection and interoperability is essential. Especially the harmonisation of the technical standards related to the interconnection of parcel networks has grown in relevance along with the increased demand for cross-border parcels. Lacking or divergent standards could impact on the effective and efficient cross-border circulation of parcels and could make the comparability of the operational data from different Member States very complex and costly.

Q2: How relevant are the provisions of the Directive for achieving its main objectives (i.e., related to universal service, internal market and harmonised principles)?

Some of the provisions of the Directive, particularly on the scope and features of the universal service, the quality parameters thereof or provisions related to market entry

²³² European Regulators Group for Postal Services PL I (19) 12 Opinion on the review of the regulatory framework, p.7.

may not be relevant in their current form.

Definitions

The European Regulators Group for Postal Services have indicated that certain definitions (such as those of “postal services”, “postal provider”, “postal item”, “postal network” and “postal user”) are outdated and in need of adjustment due to technological and market evolutions. This was supported by a considerable number of Member States during the consultation of the Postal Directive Committee. During the public consultation, the postal operators favoured preserving the current definitions, while the majority of regulators favoured some revision, especially for the concepts of “postal service” and of “postal provider”. Because most definitions date back to 1997, structural and technological changes in the postal sector puts into question their relevance and appropriateness.

Universal Service product/service scope, features and quality

The assessment shows that the current provisions on product/service scope and features and the quality of the universal service may not all be relevant in current circumstances to better achieve the objective of ensuring a universal service to all and may have to be reconsidered to align with users’ needs and expectations. In this context, reviewing the level of flexibility needed for Member States to adapt to domestic circumstances therefore seems appropriate.

Regarding the various features of the universal service, the relevance of the provision on ensuring the density of access points seems to be confirmed by the high percentage of users that see a dense network of postal outlets as indispensable in the future. WIK survey respondents from Belgium, Italy, Hungary, Portugal and Romania rated higher than average the importance of maintaining the density of postal outlets over the next five to ten years. In Austria, France, Germany, the Netherlands, Poland and Spain, the importance of keeping the current density of postal outlets in future is rated below the average of all respondents²³³. It however appears that individuals are willing to accept alternative delivery locations for parcels in addition to home delivery, and are increasingly interested in more flexibility and alternative options for the delivery of parcels (e.g., Poland, Portugal and Romania)²³⁴.

Five-day delivery and collection for letter mail has decreased in importance for postal users²³⁵. For example, postal users in Belgium, Ireland, the Netherlands and Sweden consider reliable and predictable delivery services (e.g., day-definite delivery) more important than overnight delivery or delivery on five days per week²³⁶. WIK users’ needs study concludes that users appear ready to accept reductions in delivery frequency in return for price stability²³⁷. Business users, especially large mailers surveyed, for instance, in Belgium, Ireland and the Netherlands, are more reluctant than individuals

²³³ WIK (2021), p.113.

²³⁴ *Idem*, p.115.

²³⁵ For example, Denmark, Estonia and the Netherlands; see WIK (2021), p. 215.

²³⁶ WIK (2021), p.112.

²³⁷ *Idem*, p.151.

and small and medium-sized enterprises to accept reductions of the delivery frequency for letters²³⁸.

The importance of quality of services (transit time) for letter mail is changing. It remains very important for transaction mail, office mail and business-to-consumers/businesses parcels²³⁹, which account for the vast majority of the total postal service. Conversely, for individual postal users transit time is no longer the dominant parameter/factor for determining quality of service. Volumes for priority letters in three large postal markets (France, Sweden and the United Kingdom) have decreased much stronger than for non-priority mail²⁴⁰. In addition, users seem to value having a choice between a service with next day delivery and a cheaper postal product with longer transit times, as indicated by national surveys in a range of very different postal markets such as Belgium, France, Ireland, the Netherlands and Romania²⁴¹. Adjustments to ensure reliability may be of greater relevance to this user group.

Complaint handling

Along with the growth in e-commerce the number of user complaints has been increasing, especially in relation to e-commerce shipments²⁴². As more providers are involved in the cross-border parcel delivery process, users, and in particular receivers of parcels, should have access to efficient complaint handling mechanisms²⁴³. The mandatory standard that lays down in detail the approach for the resolution of complaints is only used by the universal service providers in half of the Member States. The application of the standard should make the complaint resolution procedure more effective, increase user satisfaction and confidence to use postal services. Some of the non-mandatory provisions of the Directive, such as the one on compensation schemes for loss or damage and the one for out-of-court resolution schemes would most likely have a broader impact if used by all Member States. It can be concluded that while the provisions related to complaint handling remain very relevant, in the current form they are not sufficiently specific, do not ensure consistency in application and could be simpler.

Tariff regulation

Tariff regulation aims at identifying price levels that do not impose a significant burden on consumers (affordability) while ensuring the sustainability of the universal service obligation (cost-orientation). The assessment has demonstrated that the principles of cost orientation and affordability are not defined, which makes their application inconsistent. Also, their interplay may become contradictory in the future. The current provisions are also not relevant for the effective application of the cost-orientation principle on terminal dues.

²³⁸ *Idem*, p. 109.

²³⁹ *Idem*, p.110.

²⁴⁰ *Idem*, p.237.

²⁴¹ WIK (2021), p. 238.

²⁴² Copenhagen Economics (2018), p.66

²⁴³ According to WIK (2021), p.303, the mandatory standard on complaint handling principles (EN 14012-Postal services – Quality of service – Complaints handling principles) is being applied in only 14 Member States.

Competition

The evaluation suggests that current provisions to enable market access under transparent and non-discriminatory conditions may not be relevant in their current form. In response to the public consultation, a European association representing non-universal service operators, Free & Fair Post, called for more concrete provisions regarding market access and a stronger role for national regulators to ensure a proper enforcement of the existing provisions, such as the access provisions, the tariff principles and the fair designation of the universal service provider.

The assessment has shown that procurement procedures have hardly been used to date for ensuring universal service provision although in principle public procurement can encourage competition. Despite the fact that letter mail volume is declining it cannot be excluded that public procurement could still be a relevant means to encourage competition, especially in Member States and for market segment where letter mail is still important. This would have to be further assessed.

Based on the very limited evidence available, it appears that the guidance for the calculation of the net cost of the universal service remains relevant but that it could be simplified.

The provision granting Member States the possibility to finance the universal service integrally from the State budget has been the option favoured by over 70 percent of universal service providers, 67 percent of trade unions and 52 percent of consumers in the public consultation. Only 27 percent of national regulators share this opinion. National regulators rather favour a combination of contribution by the State and contributions by consumers and competing postal operators. As explained in section 5.2, other options, such as a compensation fund, appear to have become a less efficient compensation mechanism and therefore less relevant in the present form.

Harmonising technical standards

The rapid increase in cross-border parcel deliveries requires full inter-operability of parcel delivery services through common rules for the management of the increasing volumes of data generated in the process. The provision on common technical standards therefore remains relevant.

Independent national regulatory authorities

The actions of the independent national regulators are instrumental for ensuring the application and enforcement of the Directive and for monitoring the postal sector. They moreover act on issues where the Directive leaves room of manoeuvre for the Member States. The relevance of national regulators will remain high going forward as they will continue to ensure an as consistent as possible application and enforcement of the Directive in a changing market context. Even more so if additional responsibilities and powers are granted as a result of a future revision of the Directive.

Q3: In the context of the new developments in the postal markets, are there other relevant objectives for regulatory intervention at European level in the field of postal services?

Stakeholders have not singled out other relevant objectives for regulatory intervention at EU level specific to the postal sector.

The European Regulators Group for Postal Services²⁴⁴ argues in an opinion published in 2019 that in view of the fundamental changes in society and the market, the postal sector needs a completely new regulatory framework, a so-called “greenfield approach” rather than only a small, targeted revision of the Directive. The regulators question the proportionality of the universal service, and recommend that it should be provided only in case of manifest market failure. This is echoed by a study commissioned by an express operator, which concludes that future postal regulation must “start from the current situation, considering all changes in the market and regulatory context since its last revision and, in particular, any market failures that still exist and might warrant continued or revised regulation”²⁴⁵.

The Member States represented in the Postal Directive Committee (an equal proportion of Ministries and regulators in charge of postal services) were split on the issue of a “greenfield approach” but unanimously supported the relevance of the universal service. They also indicated a number of other issues that would have to be considered, but not necessarily addressed within the postal framework: digitalisation, environmental footprint, consistency with the Green Deal and employment conditions in the sector.

Many stakeholders, especially consumers, e-retailers, and social partners highlight that environmental sustainability and carbon emissions reduction are relevant objectives for the postal sector. While postal operators, and several Member States represented in the Postal Directive Committee, recognize that environment and climate change are important policy objectives for the postal sector, they argue that horizontal legislation is already in place at EU level and sector-specific regulation is therefore not justified.

5.5 EU Added Value

Q1: Would the benefits delivered by the Directive have been achieved in the absence of EU-level intervention?

In addition to safeguarding the postal universal service for all EU citizens, the Directive has made at least two significant contributions to the postal sector that are not likely to have happened in its absence: the opening of the postal markets and the improvement of postal service quality.

²⁴⁴ European Regulators Group for Postal Services PL I (19) 12.

²⁴⁵ Copenhagen Economics (2020), p.8.

By 2008 the EU postal markets were slowly progressing towards market opening and competition²⁴⁶ with only a few Member States having opened their postal services market more than what was required by the 1997 and 2002 Directives. In the absence of the 2008 Directive, it is far from certain that the EU would have achieved the current level of market opening in letter mail in all Member States.²⁴⁷

The Directive has also secured the continuation of the universal service provision across the EU after the opening of the market. Even if some form of postal universal service was available in all Member States at the time of the adoption of the 1997 Directive, the combination of the opening of the market combined with the drop in volume could have led to the interruption or decrease in the universal service because of competitive pressures or profitability constraints. Servicing less profitable areas, such as rural, less populated regions or servicing vulnerable users could have been reconsidered or could have been provided at higher, possibly discriminatory prices. Alternatively, the universal service may have been kept in place in many Member States, but compensated by granting the universal service provider monopoly rights on some parts of the market, during the period preceding the 1997 Directive.

Regarding the quality of postal services, the Directive had the most obvious positive impact on the level of cross-border quality standards for universal postal services. While a Member State may require postal operators in its own country to comply with quality standards, it has no competence to impose standards abroad, to incentivize foreign operators or sanction them in case of under-performance. Although it is possible that several EU operators would have agreed bilaterally on quality standards, it is doubtful that EU-wide quality standards for cross-border postal services would have been established and respected on a voluntary basis. Action at the EU level has thus been necessary to improve and ensure more consistency of quality of cross-border mail across the Union.²⁴⁸

Intervention at EU level was also instrumental in securing high quality in domestic universal postal services as cross-border quality requirements have had a positive spill-over effect on overall quality-levels. The majority of respondents to the Commission's public consultation believes the Directive was successful in achieving its objectives regarding improving the quality of service, integrally or partially. This is particularly true for the postal operators which almost unanimously take the view that better quality of domestic and cross-border services has been achieved by the Directive. Almost all regulators are of the same opinion. Consumers, are more critical, with 45 percent and 29 percent respectively thinking that better quality for domestic and cross-border services has not been achieved. Consumers were, however, poorly represented in the consultation.

²⁴⁶ Prior to the adoption of the first Directive postal services markets were, with only few exceptions, not liberalised. Sweden and Finland had completely opened their postal services sector to competition already in the first half of the 1990ies but only a few other Member States had opened their letter mail market (Germany, Denmark, Spain and the United Kingdom).

²⁴⁷ Especially since, absent the Directive, it is not certain that any EU level legislation would be in place. The 1997 Directive was set to expire in 2008.

²⁴⁸ WIK (2021), pp.241-242.

Complaints relating to cross-border services would have been more difficult to address without the Directive, since postal users are not always able to determine which postal operator is responsible for what went wrong.

Q2: What would be the most likely consequences of withdrawing the Directive?

During the consultation of the Postal Directive Committee, national regulatory authorities confirmed that they still consider it necessary to keep a certain level of postal universal service. The COVID-19 pandemic has contributed to an increased necessity to ensure universal service coverage. During the crisis, several Member States used the postal network to deliver protective equipment or information across the national territory, some universal service providers also extended their services to delivery of medicine and checking on elderly persons living in rural areas. Even if the Directive were withdrawn, many Member States would most likely keep in place the postal universal service. What is less certain is whether the same level of quality would still be ensured and whether, under pressure to finance the universal service, Member States may not reintroduce reserved areas or other advantages for the universal service provider, thus reversing the opening of the market.

In the absence of common European requirements, the level of ambition could vary widely among Member States in what concerns the products included in the scope (weight-limits for parcels, bulk mail, direct mail, newspapers), the quality required (network density, frequency and speed of delivery) and the level of affordability ensured. The lack of a harmonised EU-level framework would therefore prove detrimental as fragmentation would increase with time, interoperability might suffer, especially concerning cross-border parcel delivery. In the absence of common definitions and mandatory measurement standards, the oversight of the EU postal sector would also become difficult.

Moreover, a withdrawal of the Directive would also eliminate rules that are intended to ensure the level playing field and protect the non-universal service providers. For example, the accounting provisions are intended to prevent cross-subsidies from the universal service to competitive services. Furthermore, the Directive explicitly ensures that the financing of the universal service net cost, if any, is made, in case a compensation fund is set up, only from undertakings that provide services within the universal service scope. Equally in the absence of any rules on access and special tariffs it is possible that such issues would only be addressed via *ex-post* competition cases. As COVID-19 has shown the essential nature of postal services, it would not seem opportune to take away the basis for regulatory oversight, particularly in the context of rapidly changing cross-border postal market with new players that are gaining market dominance in some Member States.

6. CONCLUSIONS

The evaluation has examined whether the Directive has achieved its objectives as intended and whether it is still fit for purpose, namely apt to respond to the needs of EU citizens and businesses. The assessment focused on the Directive's key elements: the universal service obligation (including its scope) the designation of the universal service providers, the financing of the universal service, the quality of services and the regulation of tariffs. The assessment also evaluated the effect of the Directive on market opening of national postal markets.

The evaluation builds on a number of studies. The WIK study on postal users' needs, which is an important source of information underpinning this evaluation builds on information collection and review, desk research and stakeholder interaction and is chiefly based on qualitative analysis. Further consultation activities carried out by the Commission with different stakeholders have been used to gather additional evidence and to cross-check information from different sources. However, the Commission's consultations and other surveys were based on a limited number of responses. This is particularly the case for the public consultation. The level of quantification in the analysis is also substantially constrained by the availability of relevant data. This affects especially the efficiency section and the establishment of a causality link between market developments and the Directive. It also affects the robustness of some of the conclusions drawn in the analysis especially when it comes to user needs and user satisfaction for which evidence at EU level remains sometimes weak.

Based on the assessment and available evidence presented in the previous sections and annexes to this Staff Working Document, this section presents the conclusions on the evaluation of the Directive. Although it is beyond the scope of this evaluation to provide any policy conclusions or propose follow-up actions to take, this section also highlights the lessons learned regarding the main areas with potential to improve the EU's postal services policy for the future.

6.1 Conclusions on the fitness of the Directive

The Directive pursues three principal objectives: (i) guaranteeing the provision of affordable, high-quality universal postal service to all users; (ii) establishing a well-functioning and competitive internal market for postal services; and (iii) establishing harmonising principles for the regulation of postal services. Based on available evidence, this evaluation shows that not all of the expectations set out in 2008 were met and that the Directive has only partly delivered on its objectives. The requirements of the Directive are overall coherent, relevant, and have brought EU value added. Nonetheless, a number of issues relating to changes in users' needs and to the design of certain provisions limit the effectiveness and efficiency of the Directive. Changing users' needs (also stemming from new opportunities brought by innovation and developments of technology) also call into question whether certain specific provisions of the Directive are still relevant. Specifically:

- **Effectiveness:** The Directive has broadly been effective in ensuring the provision of a universal postal service, in particular with regard to the frequency and timeliness of delivery, to all citizens and businesses across the EU. Digitisation in the form of e-

government and increased use of digital communication means, however, has led to diminishing demand for letter mail, which in turn has increased the costs of universal service provision. To address this phenomenon, 11 Member States have relied on derogations allowed by the Directive and reduced the scope of the universal service obligation, notably by narrowing the relevant letter mail products and services subject to universal service as well as reducing the frequency of delivery of postal items. These derogations appear to increasingly become broader in scope. Derogations were not intended for a generalized application. This suggests that requirements in the Directive may not be fully aligned with current market expectations. The quality (transit time) of universal services has gone down and price for letter mail has increased as a result of increases in costs for universal service providers. From this perspective, the Directive has not fulfilled the expectations set in 2008 when the last amendment to the Directive was adopted. Available evidence on the application of the Directive's tariff provisions suggests, however, that the Directive's principles of cost-orientation, sustainability and affordability have likely contributed to avoiding even steeper price increases. That said, the evaluation highlights that Member States apply and interpret these principles very differently (and sometimes do not apply all of them) and that the interplay between the principles of cost-orientation and affordability requires further consideration. The assessment also indicates that national regulatory authorities may not have the required tools to verify if and how these principles are respected.

Available evidence suggests that the Directive has been only marginally effective in contributing to the achievement of an internal market and stimulating effective competition (neither within Member States nor among Member States) in the letter mail segment and has not met the expectations underlying the 2008 amendment of the Directive. The main reasons seem to include high entry costs and the need for substantial economies of scale and scope while the market experienced diminishing volumes. However, the absence of harmonised measures for access to the postal network (i.e., tools allowing national regulatory authorities to set terms for access to the network thereby providing for the possibility to introduce *ex ante* competition) as well as the absence of procedural access rules (e.g., dispute resolution powers of national regulatory authorities for situations when commercial negotiations break down between access seekers and the universal service provider) may also have contributed to the low uptake of competition in the letter mail segment. With regard to the parcel delivery segment, competition existed already before the adoption of the Directive. However, the inclusion of a limited number of parcel items in the universal service obligation has contributed to ensuring delivery to all users.

Finally, while the assessment of the transposition and application of the Directive show that there are divergences among Member States with regard to the level of harmonisation of postal services, these divergences do not seem to have had a major disruptive effect on the effectiveness of the Directive and expectations motivating the decision to maintain minimum harmonisation in the 2008 amendment have from this perspective been met. The assessment suggests, however, that there is an insufficient use of technical standards, even when they are mandatory.

- **Efficiency:** The assessment suggests that the Directive is not fully efficient. The universal postal service obligation continues to protect a fundamental means of

communication and economic participation (including social and territorial cohesion) throughout the EU. However, in light of the available, sometimes limited evidence, changes in users' needs suggest that benefits of the Directive's quality of services requirements have been declining in recent years. The same applies to the broader benefits to society of universal service provision. In parallel, some of the costs of providing universal service have been increasing over the last five to ten years. The assessment also has identified a number of provisions of the Directive, which appear to generate unnecessary cost and burden for universal service providers and postal users and therefore reduce the Directive's efficiency. This concerns in particular complaint handling and certain aspects related to the financing of the universal service obligation.

- **Coherence:** The Directive is fully internally coherent and also coherent with the Regulation for cross-border parcels. It is also broadly coherent and complementary with other relevant EU-level legislation and horizontal policies as well as with international postal policy. The postal sector has an environmental impact, for instance through the frequency of delivery, and hence interlinks with the Green Deal objectives. There are also links between the EU postal and delivery priorities and objectives and those of the digital single market, especially in the area of cross-border e-commerce. As the postal sector is labour-intensive, actions on employment and working conditions developed under the European Pillar of Social Rights may have an impact on the functioning of postal market legislation.
- **Relevance:** Overall, the objectives of the Directive appear to be appropriate and relevant. Even though the postal services market and users' needs have undergone significant changes, the principal objectives of the Directive seem to remain relevant. The assessment suggests that because of changing users' needs and market developments, however, certain provisions in the Directive may no longer be required (or not required in the current form) for achieving those objectives. This concerns in particular the scope and features of the universal service and the quality parameters of such services, as well as provisions to enable market entry and competition.
- **EU value added:** Overall, the Directive has had added value because it has ensured a universal postal service for all citizens across the EU. It has enhanced the independence of national regulatory authorities and enabled them to play a more prominent role in the oversight of the postal services sector.

In sum, the Directive and its objectives remain important for the EU. But there are shortcomings and certain provisions seem not to fully match current expectations of postal users and operators, and generate unnecessary costs and burden.

6.2 Lessons learned

The following points summarise the lessons learned from this evaluation in terms of main areas where there is scope for improvement in EU postal services policy. These need to be understood within the above overall conclusion that the Directive has only partly delivered on its objectives and that there are some shortcomings. An important lesson for future work is the need for further consideration of how to ensure completeness in data and information collection in a more comprehensive way. As

explained above, this evaluation does not put forward proposals for action, but takes stock of experiences gained.

The universal service

- The letter mail and parcel delivery segments have evolved very differently. While the relative importance of letter mail in certain Member States should not be underestimated, letter mail volumes are overall significantly diminishing and competition in the letter mail segment is very low. Conversely, demand for parcel delivery is continuously increasing and the segment is characterized by the presence of a large number of actors (sometimes with new business models) that compete with each other (especially for e-commerce delivery). These differences have been accentuated during the COVID-19 pandemic. User needs in terms of the universal service and corresponding consequences for universal service providers also differ greatly among Member States and will continue to develop in different ways and at different pace.
- An important number of Member States are adjusting the universal service obligation to fit domestic needs in terms of scope of products and services offered, frequency of delivery and collection and there seems to be a tendency for these derogations to become very broad and cover a large part of the population. Derogations, however, were intended for exceptional circumstances and exceptional geographical needs and not for a generalized application. Too many, and especially too extensive, derogations could further increase fragmentation, which in turn could make cross-border services more costly. Ultimately, the impact of parts of the Directive could become significantly reduced.
- Given this situation there may be a case for reassessing the products, services and related features that need to be included in the universal service obligation, including the level of flexibility needed for Member States, and how they should be regulated.
- More specifically the assessment could include the following: whether the inclusion of parcel delivery in the minimum requirements of the universal service obligation is always optimal; the importance of five-day delivery for letter mail for users appears to be decreasing and the importance of transit time for letter mail has also decreased and for non-business postal users it may no longer be the dominant parameter/factor for determining quality of services. There is a question whether these parameters should be adjusted and/or other parameters should be added.
- Better calibrated provisions could lead to better and more consistent regulatory outcomes in the future.

Enabling market access and effective competition

- Developments in the parcel delivery segment stand in stark contrast to developments in the letter mail segment. As opposed to letter mail where the statutory monopoly was abolished with the 2008 amendment, there was never such a monopoly for parcel delivery. In most Member States the high level of competition in the parcel delivery segment has led to innovative improvements to delivery services. Demand is continuously increasing mainly because of e-commerce, and frequency and options for delivery of parcel have not been reduced but rather evolved and increased.

- The evaluation shows that there is very little competition in the letter mail segment in all Member States. This seems to partly be due to market conditions, but there may be a case for reviewing access and price transparency provisions. This may be of special importance in Member States or in market segments where volume decline is less prominent. Available evidence suggests that competition where it has occurred has provided incentives for universal service providers to become more efficient, offer good quality at lower prices, address users' concerns, innovate and develop new services. This needs further analysis and assessment.

More consistency and greater harmonisation

- The Directive requires that Member States ensure that the tariffs for the universal service are in line with the principles of cost orientation, affordability and transparency. The assessment suggests that their application have been entirely left to the discretion of Member States since they are not defined in the Directive. This may reduce clarity, legal certainty and transparency around the use of these principles.
- This can have a particular impact in relation to universal service provider's bilateral and multilateral agreements for the delivery of cross-border mail. Virtually none of the national regulatory authorities has any instruments to verify if and how these principles are respected by the price postal providers in different Member States when charging one another for the delivery of cross-border postal items. This may have negative effects on the market, including the e-commerce sector. As the volumes of cross-border e-commerce deliveries continue to rise this may become increasingly relevant.
- The assessment suggests that a review of the principles of cost-orientation and affordability principles along with the tools of national regulatory authorities to ensure the transparency of their use may increase the effectiveness of the Directive.
- The assessment shows that insufficient use is made of mandatory and voluntary technical standards. Even where technical standards stem from requirements in the Directive, their use is not coordinated and most often also not mandatory (even when a standard is mandatory it is not always used). This means that universal service providers sometimes use different technical standards or possibly no standards at all. This reduces clarity and legal certainty and may lead to unnecessary costs and interoperability issues. Therefore, there may be a case for assessing the use of standards by postal operators.

Simplification and burden reduction

- Although it seems that the complaint procedures required by the Directive do not impose or constitute a significant burden for universal service providers, the assessment suggests that its benefits to postal users are limited. There seems to be insufficient transparency provided on complaints, a lack of a harmonised approach to complaint handling and in some cases a limited availability of complaint procedures. This does not promote consumer confidence in postal services.
- The examples provided suggest that the use of the complaint-handling standard is sub-optimal which may erode consumer confidence. In the case of parcel deliveries, where the complaint procedure is not mandatory, the receiver may suffer from damages to the parcel received. The assessment suggests that widening the complaint handling

standards would enhance benefits for postal users and make procedures simpler, more efficient without substantial additional costs.

- The results of the evaluation suggest that there may also be scope to improve the provisions on the financing of the costs of the universal service. This concerns mainly the provisions relating to the compensation fund, which is one option that can be used to fund the universal service. Such fund operates in a way that all providers of postal services (the universal service providers and any other postal services providers) in a given Member State have to contribute to finance the net cost of the universal service provision. The net costs of universal service provision can be substantial. If the universal service provider had to bear such costs on its own, it would put that provider in disadvantaged position vis-à-vis any competitors. The evaluation indicates that the current provision on the compensation fund is not a widely applied option and that the contribution to the fund from alternative postal service providers is often small relative to the universal service provider. This suggests that in its current form the provision on the compensation fund is not working in an optimal manner to fund the universal service.

7. ANNEX 1: PROCEDURAL INFORMATION

Lead DG

- Lead DG: Directorate General Internal Market, Industry, Entrepreneurship and SMEs (DG GROW);
- DeCIDE planning: PLAN/2019/5774;
- Commission Work Programme 2020 (Adjusted Work Programme) – Annex II, Refit Initiative Nr.29.²⁴⁹

Organisation and timing

The evaluation was initially announced in the 2020 Commission Work Programme. In its adjusted Work Programme adopted in May 2020, the Commission indicated that the evaluation would not be finalised in 2020 but at a later stage. The evaluation Roadmap was published on 2 March 2020 and set out the context, purpose and scope of the evaluation exercise. 22 stakeholders provided feedback on the Roadmap, most of them favourable to the proposed design of and way forward of the evaluation.

A public consultation was launched on 13 July 2020 and concluded on 9 November 2020, based on a questionnaire translated into all EU languages. 119 responses were received from a broad range of stakeholders including users of postal services, postal operators, social partners, representing postal employers and employees, as well as national regulatory authorities. More details about the public consultations and about the other consultations that took place within the context of this evaluation can be found in Annex 2.

The Inter-Service Steering Group met for the first time on 2 March 2020 and gathered representatives from the Secretariat General, the Legal Service, Directorate General Economic and Financial Affairs, Directorate General Competition, Directorate General Employment, Directorate General Taxation and Customs Union, Directorate General Justice and Consumers, Directorate General Trade and the Joint Research Centre. The Inter-Service Steering Group was consulted on the Roadmap and on the Consultation Strategy and was informed of the summary report of the open public consultation. The Inter-Service Steering Group met five times to discuss the consultation strategy, the questionnaire for the public consultation and various drafts of the evaluation. It was consulted on 2 March 2020, 1 July 2020, 12 November 2020, 18 December 2020 (in writing) and 28 January 2021.

Consultation of the Regulatory Scrutiny Board (if applicable)

An upstream meeting with the Regulatory Scrutiny Board took place on 6 October 2020. The Regulatory Scrutiny Board received the draft version of the Staff Working Document on 17 February 2021.

²⁴⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Adjusted Commission Work Programme 2020, COM(2020) 440 final, Brussels, 27.5.2020.

Following the hearing which took place on 17 March 2021, the Regulatory Scrutiny Board issued a positive opinion on the Evaluation. In its opinion, the Board recommended the report to include a clear overview of what was expected to happen between the 2008 revision of the Postal Services Directive and the present, more evidence on the needs and degree of satisfaction of users of postal services and on how the Directive and changes in demand affected network economies and costs of service providers and further analysis of the reasons behind the limited improvement in competition.

For more details on how the Staff Working Document was developed to include the Regulatory Scrutiny Board recommendations, see the table below.

Table 10 Revisions to the SWD following the RSB recommendations

RSB recommendations	Revisions
<p>(1) The report provides relevant information on the outcomes of the Directive. However, the report should better explain what was expected to happen between 2008 and now. It should describe the points of comparison more clearly. This would help to assess the extent to which the outcomes are related to shortcomings in the Directive itself, to its implementation or to external factors.</p>	<p>To better explain the outcome of the Directive a number of clarifications have been made. A table explaining the evolution of the main provisions of the Directive has been added in Section 2.2 before the intervention logic, which has been simplified. To have a more solid base for assessing what was expected to happen between 2008 and now, a new table listing the expected outcomes in relation to main provisions has been included in the baseline section. The information is based on the 2006 impact assessment for the 2008 revision of the Directive. In addition, further clarifications on the points of comparison in the baseline have been added. The assessment in Section 5.1 now also covers to what extent the expectations that motivated the 2008 revision have been met or not. More specifically, we have also clarified that the Directive has achieved its third objective - i.e., setting harmonised principles for the regulation of postal services.</p> <p>Revised Sections: 2.2, 2.3 and 5.1.</p>
<p>(2) The report seems to assume that certain changes in the quality of postal services, such as the reduction of the scope of the universal service or its frequency, are always a response to changing consumer needs. Based on additional evidence (e.g. national surveys on consumers' perceptions), the report should consider whether they have resulted in lower consumer satisfaction. It should present a more differentiated picture of the developments affecting user needs and satisfaction, for example by referring separately to individual users and</p>	<p>The evaluation has been revised to better explain how changing user needs of various postal users (business and bulk mailers, individual users, consolidators, receivers) are the starting point for adjustments of the universal service. Further study results relevant to the adjustments have been added to especially Sections 5.1 and 5.4. References in the entire evaluation report to stakeholder views have been revised to provide a more differentiated picture to the extent such information has been available.</p> <p>It should be borne in mind that user needs are different from Member State to Member State</p>

<p>businesses.</p>	<p>and among various user groups. In particular the needs of vulnerable users need to be paid attention to. References to studies to support the analysis in as far as such studies are available have been added in Section 5.1.</p>
<p>(3) The report is quite clear that the Directive has not been effective in stimulating effective competition in the letter mail segment. It should analyse more in depth the reasons behind this, in particular given that this was one of the main objectives. The report should discuss the extent to which the limited progress in competition is due to deficiencies in the Directive, to limitations in the instruments or empowerment of national regulators, or to other factors. It should analyse to what extent scale and network economies of incumbents limit entry. It should expand on how the Directive has led to specialisation in the market for postal services. The report should discuss whether cross-subsidisation, which is prohibited in the Directive, is no longer a problem. It should also elaborate on the possible reasons why Member States have not used public procurement to designate universal service providers.</p>	<p>Section 5.1, Q2, has been revised to provide a broader picture of why the competition objective has not been achieved and that this fell short of the expectations underpinning the 2008 revision of the Directive. It goes into more depth about specialisation in the market for postal services and on the role of regulators and whether they are sufficiently equipped to ensure effective market entry and competition in the letter mail segment.</p> <p>Section 5.1 Q1 addresses the issue of cross-subsidisation and what tools the Directive provides regulators with in order to detect and prevent illegitimate cross-subsidisation. In this Section (the sub-point on designation) the point on lack of use of public procurement has been further elaborated on but there are limitations to how far this could be done as a lack of evidence prevents the evaluation from concluding on why public procurement is not used more extensively.</p>
<p>(4) The report could provide more information on the role of the compensation funds in preserving the provision of the universal service.</p>	<p>More detailed information related to the impact of the compensation fund, the legal conditions for its use, its costs and benefits, have been added to Section 5.2 (Q1) under the point “Costs for other postal operators” and (Q2) under “Financing of the universal service: compensation fund”.</p> <p>The evaluation also elaborates more on the aspect that the universal service provider that benefits from a compensation fund will have low incentives to improve its efficiency.</p>
<p>(5) The report should elaborate more on the views of different stakeholders (e.g. regulators, operators, users) on the functioning of the Directive and its continued relevance.</p>	<p>Where relevant, the evaluation report as a whole has been revised to give a better and more differentiated view of stakeholder positions. See in particular Sections 5.1, 5.2 and 5.4. The additional information is mainly based on the WIK online survey, national surveys carried out by national regulatory authorities and information extracted from the Commission’s public consultation.</p>
<p>(6) The report should include additional</p>	<p>Where relevant, the evaluation report as a whole</p>

evidence to support its conclusions. Where relevant, it should acknowledge that the evidence base remains weak and avoid drawing strong conclusions.

has been revised to include more detailed and updated evidence, where it has been available, and efforts have gone in to better explaining and justifying the conclusions made, in particular in Sections 5.1 and 5.4. Section 4 on method has been revised to be clearer about how weaknesses regarding evidence affects the robustness of certain conclusions and that a lesson for the future is to see how the information gap can be better overcome. The conclusions in Section 6 are also more explicit when referring to the impact that the weakness of the evidence base has on the conclusions drawn in the evaluation assessment.

Evidence, sources and quality

The **evidence** collection for this evaluation is based on the following main **sources**:

- External support studies commissioned by DG GROW:
 - Study on *User Needs in the Postal Sector* carried out by WIK Consult (WIK (2021)), covering different timespan for different issues. The study looks at the changing societal and user needs related to postal services, and included a systematic review of 64 user needs surveys in 16 Member States. It also incorporated the results of a dedicated online stakeholder survey that collected 418 responses, of which 44 from regulators, 44 from operators, and 331 from postal users. The evidence base underpinning the study builds mainly on qualitative research, information collection and review, desk research and stakeholder interaction and did not include any quantitative modelling. The study was carried out under close guidance of DG GROW and fed into the preparation of the evaluation Staff Working Document;
 - Study on *International Postal Services, Remuneration and Regulation (2011-2020)* carried out by WIK Consult (WIK (2020)) focused on how the global system for terminal dues (fees that postal operators charge each other for delivery of international letters) were likely to affect the market for international postal services.
 - Study on the *Development of cross-border e-commerce through parcel delivery (2013-2017)* carried out by WIK Consult (WIK (2019)) explored trends in the supply of and demand for delivery solutions in the context of cross-border e-commerce. It particularly emphasised the needs of e-retailers and consumers, and included regulatory aspects as well as employment and environment related topics.
 - Study on the *Main Developments in the Postal Sector 2013-2016* carried out by Copenhagen Economics (Copenhagen Economics (2018)), which included extensive data collection based on literature review and stakeholder consultation by means of surveys and interviews.
- The stakeholder contributions to the open public consultation on the evaluation of the Directive;
- The opinions of the Member States represented in the Postal Directive Committee;

- The technical inputs and opinions of the European Regulators Group for Postal Services, in particular:
 - European Regulators Group for Postal Services PL II (20) 23 *Report on postal core indicators*;
 - European Regulators Group for Postal Services (20) 22, *Report on quality of service, consumer protection and complaint handling*;
 - European Regulators Group for Postal Services II (20) 26 *Report on the consequences of COVID-19 on the postal sector*;
 - European Regulators Group for Postal Services PL II (20) 28 *Report on interconnection models and access to international postal networks*;
 - European Regulators Group for Postal Services (20) 7, PL II (20) 30 *Report on the outcome of the public consultation Report postal definitions*;
 - European Regulators Group for Postal Services PL I (19) 12 *Opinion on the review of the regulatory framework*;
 - European Regulators Group for Postal Services (19) 10 *Report on the development of postal networks and access practices regarding infrastructure related to the parcel market*;
 - European Regulators Group for Postal Services PL II (19) 37 *Report on core indicators*;
 - European Regulators Group for Postal Services (19) 35 *Report on the quality of service, consumer protection and complaint handling 2018: An analysis of trends*;
 - European Regulators Group for Postal Services (17) 38, *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)*;
 - European Regulators Group for Postal Services (14) 22, *Report on tariff regulation in a context of declining volumes*;
 - European Regulators Group for Postal Services (15) 32, BoR (15) 214, *Joint Opinion of the Body of European Regulators for Electronic Communications (BEREC) and the European Regulators Group for Postal Services (ERGP) on price transparency and regulatory oversight of cross-border parcels delivery, taking into account possible regulatory insights from the electronic communications sector*;
 - European Regulators Group for Postal Services (13) 38 Rev. 1, *Report on end-to-end competition and access in European postal markets*;
 - European Regulators Group for Postal Services (13) 33, *Report on Market indicators*;
 - European Regulators Group for Postal Services (11) 19, *Report on the quality of service and end-user satisfaction*;
- Joint contributions from the Social Partners representing employers and employees at the Social Dialogue Committee for the postal sector adopted on 6 December 2019²⁵⁰, and on 13 November 2020²⁵¹;
- Statistical data, as resulting from the Commission's postal statistics database (2014-2018), the Universal Postal Union statistical data base (2008-2018), Eurostat and the national regulators' statistical reports;
- The study on *Postal services in the EU* commissioned by the European Parliament (TRAN Committee) in 2019;

²⁵⁰ https://www.uni-europa.org/wp-content/uploads/2019/12/JointStatement_PostalDirectiveReview_PostSDC_20191206.pdf

²⁵¹ <http://www.postsocialdialog.eu/Home>

In addition to the sources listed above, the following European Commission application reports on the implementation of the Directive, impact assessment and other documents were considered in the preparation of the evaluation:

- *Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the first short-term review of the Geo-blocking Regulation*, COM(2020) 766 final;
- *Commission Staff Working Document, accompanying the Report from the Commission to the European Parliament and the Council on the Application of the Postal Directive* COM(2015) 568 final, SWD (2015) 207 final;
- *Impact Assessment. Commission Staff Working Document, accompanying the proposal for a Directive of the European Parliament and of the Council amending Directive 97/67/EC, concerning the accomplishment of the internal market of Community postal services*, COM(2006) 594 final, SEC(2006) 1292;
- *Commission Staff Working Document, accompanying the Report from the Commission to the European Parliament and the Council on the Application of the Postal Directive*, COM(2006) 595 final, SEC(2006) 1293;
- *Commission Staff Working Document, accompanying the Report from the Commission to the European Parliament and the Council on the Application of the Postal Directive* COM(2008) 844 final, SEC(2008) 3076;
- *The Impact on Universal Service of the Full Market Accomplishment of the Postal Internal Market in 2009*, Final Report May 2006, Study commissioned by the European Commission, Internal Market and Services Directorate General, DG MARKT/2005/03/E;
- *Green Paper on the Development of the Single Market for Postal Services*, COM(91) 476 final;
- *Digital Economy and Society Index (DESI) 2020*, Thematic chapters.

Other relevant sources quoted in the evaluation Staff Working Document, ranging from academic papers to industry figures and estimates, are listed in annex 6 – Bibliography.

The **quality** of the evidence is mixed. Some studies, in particular WIK(2021), are based on comprehensive information collection, review, desk research and stakeholder interaction, mainly using qualitative analysis. Additional consultation activities with stakeholders have been used to gather further relevant evidence and to cross-check information from different sources. The quality of evidence is however affected by the relatively limited number of responses to the consultation activities. This is particularly the case for the Commission's public consultation on the evaluation of the Directive. The level of quantification in the evaluation analysis also suffers from the limited availability of relevant quantitative data (e.g. confidential business data) and from a lack of fully comparable indicators to cover the entire timespan of the evaluation. This affects especially the efficiency section and the establishment of a causality link between postal market developments and the Directive.

8. ANNEX 2: STAKEHOLDER CONSULTATION

1. The consultation strategy

1.1 Objectives

The Commission carried out a number of consultation activities to inform the evaluation of the Postal Services Directive (“the Directive”)²⁵².

To ensure transparency and involve stakeholders, the process followed the standards and methods set out in the Better Regulation guidelines. The various consultations have followed the drafting of the roadmap, which was published on the Better Regulation website²⁵³ and was open for public feedback between 02 March and 15 April 2020²⁵⁴.

1.2 Stakeholders consulted

The main stakeholders targeted by the consultation were:

- Users of postal services, including citizens and businesses. These stakeholders may encounter different issues in their capacity as receivers and senders. Postal services are of particular interest for e-retailers (especially Small and Medium Sized Enterprises), who use them to deliver their products to their customers;
- Postal operators, that can be further segmented into Universal Service Providers (for instance incumbents, former monopolies, national posts) and other postal operators (such as express and courier service providers);
- Social partners representing postal employers and employees;
- National Regulatory Authorities;
- Member States.

1.3 Consultation activities

The Commission has planned several consultation activities in order to build a solid evidence base for the evaluation of the Directive.

These consultation activities include:

- a) Consultations of Member States in the context of meetings with the Postal Services Directive Committee;
- b) Consultations of National Regulatory Authorities in the context of meetings with the European Regulators Group for Postal Services (ERGP);
- c) Consultation of social partners in the context of the Social Dialogue Committee for the Postal Sector;

²⁵² Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 with regard to the full accomplishment of the internal market of Community postal services as amended by Directive 2002/39/EC and Directive 2008/6/EC.

²⁵³ <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11965-Report-on-the-Application-and-Evaluation-of-the-Postal-Services-Directive>

²⁵⁴ The feedback received is available here: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11965-Report-on-the-Application-and-Evaluation-of-the-Postal-Services-Directive/feedback?p_id=7575514

- d) Consultations with postal operators, users' associations, regulators, trade unions and representatives of the Member States in a number of public workshops;
- e) An open public consultation.

Table 11 Timing of consultation activities

Date	Actions
January 2019	Stakeholder workshop on <i>User needs in the postal sector</i>
June 2019	Postal Services Directive Committee meeting – update of MS positions on the review of the Directive
June 2019	ERGP Plenary meeting
June 2019	Stakeholder workshop on <i>User needs in the postal sector</i>
June 2019	Social Dialogue Committee for the Postal Sector – formal request for input to the review of the Directive
September 2019	Stakeholder workshop on <i>User needs in the postal sector</i> , and Stakeholder workshop on <i>International postal services, remuneration and regulation</i>
September 2019	ERGP Stakeholder Forum
November 2019	ERGP Plenary meeting
December 2019	Postal Services Directive Committee meeting – targeted consultation on the evaluation of the Directive
December 2019	Social Dialogue Committee for the Postal Sector – plenary meeting
March - April 2020	Publication of the Evaluation Roadmap and request for feedback
June 2020	Postal Services Directive Committee meeting – targeted consultation on the evaluation of the Directive
June 2020	ERGP Plenary meeting
July 2020	Completion of the study on <i>User needs in the postal sector</i> ²⁵⁵
July-November 2020	Open public consultation on the evaluation of the Directive
September 2020	Stakeholder workshop on <i>International postal services, remuneration and regulation</i>
November 2020	ERGP Plenary meeting
November 2020	Social Dialogue Committee for the Postal Sector – plenary meeting
November 2020	Completion of the study on <i>International postal services, remuneration and regulation</i> ²⁵⁶
December 2020	Postal Services Directive Committee meeting – targeted consultation on the evaluation of the Directive

²⁵⁵<https://op.europa.eu/en/publication-detail/-/publication/339db611-eb31-11ea-b3c6-01aa75ed71a1/language-en/format-PDF/source-193430876>

²⁵⁶<https://op.europa.eu/en/publication-detail/-/publication/946318c8-604e-11eb-8146-01aa75ed71a1/language-en/format-PDF/source-189430505>

2. Synopsis of consultation activities

2.1 Consultations of Member States

The European Commission used the meetings of the Postal Services Directive Committee to consult Member States on the evaluation of the Directive. These meetings indicated that there is consensus among Member States that the provisions of the Directive played an important role in achieving its objectives, even though the opening of postal markets did not necessarily bring concrete results in all Member States. Member States believe that the issues addressed by the Directive are still relevant and justify the continuation of action at EU level, but at the same time demand more flexibility to allow adapting the universal service provision to market developments and national specificities, in particular for what concerns delivery frequency but also quality of service requirements, the scope of the universal service obligation and the way the net cost is calculated. There is also support for a clarification of some of the definitions included in the Directive.

2.2 Consultations of National Regulatory Authorities

The European Commission used the meetings of the European Regulators Group for Postal Services (ERGP) to consult National Regulatory Authorities on the evaluation of the Directive. The list of meetings held and documents adopted by the ERGP are published on: https://ec.europa.eu/growth/sectors/postal-services/ergp_en.

The ERGP believes that in light of the changes that affected the postal sector in recent years, the Directive is not fit for purpose anymore. ERGP proposes to base a future regulatory framework on a thorough consideration and analysis of all relevant, current and future developments in society and the sector (“greenfield approach”). In particular, The ERGP recommended to reorient the focus of the regulatory framework from the universal service provision to a proper functioning of the postal market and competition. The universal service should be defined at European level but Member States and national regulatory authorities should have sufficient flexibility to adapt their application of universal service according to specific national circumstances and developments. NRAs should have powers on market monitoring, (collection of information covering all the players in the market), enforcement and application of sanctions, consumer protection, regulatory powers and regulatory tools, including the interdependence with adjacent markets (e.g. platformisation) and ensure and strengthen an independent performance of their tasks. Furthermore, the institutional framework for ensuring cooperation between national regulatory authorities should be strengthened.

2.3 Consultation of European social partners in the context of the Sectoral Social Dialogue Committee for the Postal Sector

Social partners submitted a joint contribution²⁵⁷ for the Directive’s review in December 2019, stressing the need to maintain the focus on the universal service and its sustainable provision, as postal services play a crucial role in territorial and social cohesion. In a second contribution²⁵⁸ issued in November 2020, social partners highlighted further key

²⁵⁷ <https://ec.europa.eu/social/main.jsp?catId=521&langId=en&agreementId=5613>

²⁵⁸ <https://ec.europa.eu/social/main.jsp?catId=521&langId=en&agreementId=5693>

issues, in particular flexibility, which would allow each Member State to better structure the obligations of its universal service provider to fit domestic circumstances ensuring that universal postal services remain financially sustainable. Social partners also emphasised that all postal sector workers should enjoy fair working conditions, the importance of the EU Green Deal, and their willingness to contribute to the EU Green recovery.

2.4 Public Workshops

Five workshops were organised by the Commission in 2019-2020, in cooperation with the consultants to which the studies relevant for the evaluation were entrusted. Hypotheses related to the functioning of the Directive, specific questions and the preliminary conclusions of the studies were discussed.

A high number of participants agreed that the concept of universal postal service has worked well, but that adaptations may be needed. As user needs change and differ between Member States, there seemed to be broad agreement that there is no “one-size fits all” universal service obligation. Participants had different opinions concerning the level of flexibility and reform needed. For instance several universal service providers, as well as their association PostEurop, warned against a “greenfield approach” involving a drastically new framework.

Some consumer groups recalled the importance of letter post service for vulnerable users and for groups with special needs, and the alternative of faster or slower delivery was appreciated by many users. Several participants agreed that the group of vulnerable users is likely to decrease, but that there will always be some special needs for postal service. Digitization means that some users (e.g. enterprises) find letters less relevant and more costly, but discussions showed that the picture varies considerably between Member States.

2.5 Open Public Consultation

2.5.1 Introduction

On 13 July 2020, the Directorate General for the Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) launched a public consultation in 23 EU official languages entitled "Public Consultation on the Evaluation of the Postal Services Directive". The consultation lasted 17 weeks and closed on 9 November 2020.

The consultation was designed to gather the views of all interested stakeholders on the following:

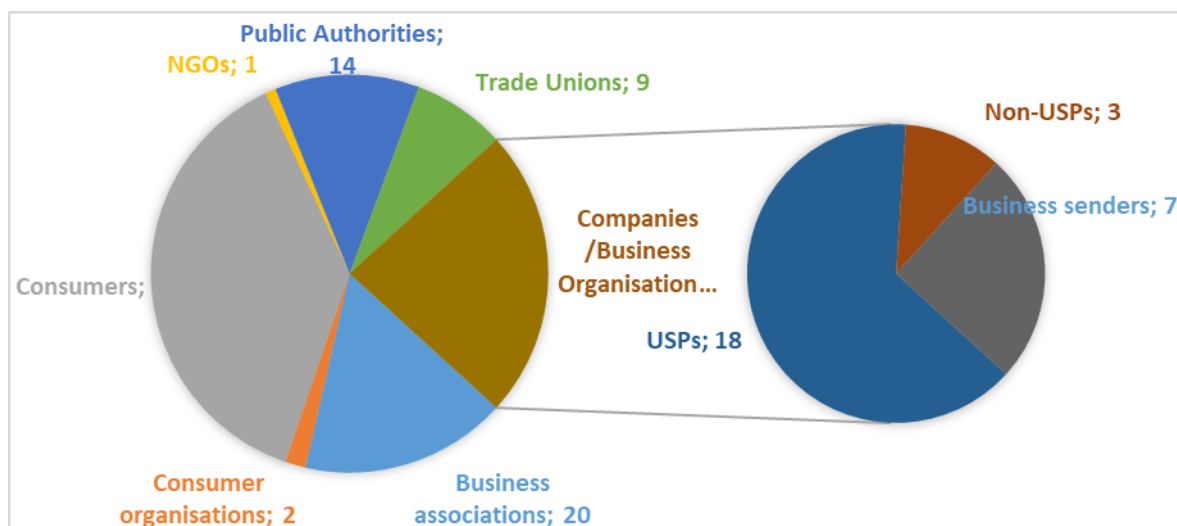
- universal postal services - common requirements;
- affordability/tariff regulation of universal postal services;
- quality of service, including complaints;
- designation/safeguarding universal postal services;
- access and level playing field;
- independent regulators;
- general authorisation, licensing;
- harmonised technical standards;
- impact of the COVID-19 crisis;

- overall role and effects of the directive.

2.5.2 Overview of respondents

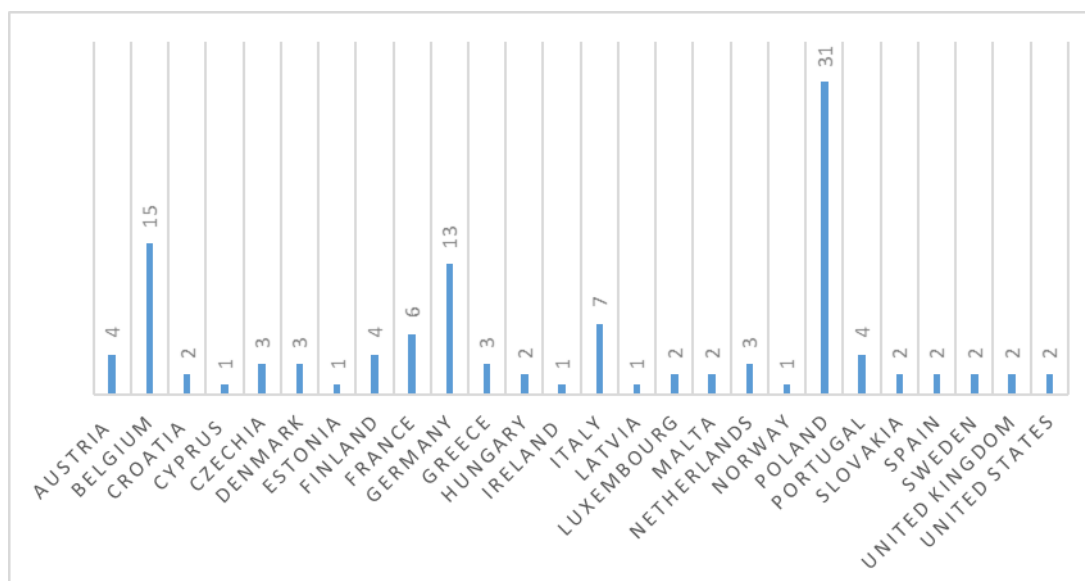
DG GROW received 119 responses to the public consultation. Out of these responses, consumers submitted 45. Contributions also came from 28 companies/business organisations. Out of these contributions, 18 came from universal service providers of the different Member States, 3 from non-universal service providers and 7 from business senders (e-commerce market places, online sellers, utility companies, banks, etc.). Out of the 20 business associations that responded to the consultation, 6 represent non-universal service providers, 6 represent business senders associations and 1 represents the universal service providers (the remaining 7 are a mix of associations representing different sectors). 14 public authorities responded to the consultation, with 11 replies coming from postal services regulators, 1 from an association of postal services regulators and 2 coming from ministries of Member States. 9 responses were submitted by trade unions, 2 by consumer organisations and 1 by an NGO. See Figure 5 for a breakdown by respondent type.

Figure 5 Respondents by Stakeholder Group



Replies originated in 23 Member States (all except Bulgaria, Lithuania, Romania and Slovenia) and from Norway. Most of the respondents are located in Poland (26 percent), Belgium (13 percent), Germany (11 percent), Italy (6 percent) and France (5 percent). See Figure 6 for a breakdown by country of origin.

Figure 6 Respondents by country of origin



2.5.3 Summary of responses

Universal postal services – Common requirements

Over the last 2 years a vast majority of consumers (in most of the cases over 70 percent) have used personal correspondence services (letters, cards, items), have sent or received government documents and made use of e-commerce parcels and returns services. With the exception of consumers living in rural areas (a total of 4 individuals identified themselves as living in such areas), the majority of consumers have not used (and have declared they do not need) the delivery of periodicals and advertising mail. The replies of a majority of business senders are in line with those of the consumers. Business senders also declared that they used mail to send bills, invoices or receipts. The majority of both stakeholder groups stated that for correspondence with the judiciary and public authorities, they are obliged to send or receive letters.

The majority of consumers believe that the most important features of the postal service are delivery to the door, delivery across the entire territory of the country and transparent and non-discriminatory prices. The majority of business senders share these views, except for delivery to the door, which is not as important to them. They instead indicate that daily collection and delivery is one of the most important features. The majority of regulators share the views of consumers while postal service providers mentioned delivery to the door, delivery across the entire territory of the country and daily collection and delivery as the most important features.

The majority of all stakeholders stated that all postal services and features are important for all vulnerable groups identified in the questionnaire (people living in rural and remote areas, elderly people, people with disabilities and people with low digital skills). For people living in rural and remote areas, receiving parcels, delivery to the door, a letter box or alternative collection or delivery point sufficiently close to home, delivery across the entire territory, speed of delivery and affordable prices are particularly important.

Elderly people stated that the most important features are sending and receiving letters and affordable prices.

Almost all universal service providers, as well as the majority of postal service regulators and trade unions believe that the postal sector in their member state has addressed well or very well the needs of vulnerable groups of people. People living in rural and remote areas and elderly people are however more critical on whether the postal sector has addressed their needs.

The vast majority of consumers are satisfied with the current frequency of delivery and collection of postal items in their respective Member State. For very few of them, a 3 or 4-day delivery per week would be sufficient, while others would prefer a 6-day delivery which would include Saturday. Business senders state that they would like to see an increase in the frequency of delivery and collection, but their comments related almost exclusively on collection and delivery of parcels.

A majority of respondents in all stakeholder groups stated that the provision of basic postal services kept up, at least to some extent, with technological and market developments, societal development and the needs of users. Some respondents mentioned that postal services should invest more into CO2 neutral vehicles to ensure a carbon neutral delivery, that more parcel boxes should be deployed and that they should be accessible to all postal operators, and that the online sale of stamps that can be printed from home should be developed.

Affordability and tariff regulation of universal postal services

Out of the stakeholders that expressed an opinion on affordability, the vast majority stated that in the last 10 years they did not refrain from using basic domestic or intra-EEA letter mail service because of the amount charged for these services. A slight majority stated that the amount charged was also not influencing the decision on whether or not to use express domestic and intra-EEA letter mail services and basic domestic and intra-EEA parcel services. Conversely, a slight majority stated that the amount charged for express domestic and intra-EEA parcel services have prevented them from using such services.

Around half of all stakeholders believe that the obligation to provide universal postal services across the entire EU has affected the level of prices of most universal service products over the past 10 years. For most of them the impact was significant in the case of domestic and intra-EEA letters.

Over 80 percent of all stakeholders that replied to that question consider the pricing information for postal services accessible, i.e. they know where to find it. Similar percentages apply to consumers and business senders.

Slightly more than half of the national regulators who replied believe prices of universal postal services are cost-oriented and slightly more think they are non-discriminatory. All universal service providers and the association representing them believe that prices are cost-oriented and non-discriminatory.

Regarding the wholesale tariffs for cross-border postal services within the EU, the vast majority of universal service providers indicate that wholesale tariffs are cost-oriented,

based on the quality of service, transparent, non-discriminatory and influenced by the universal service obligation. The replies of the regulators are less conclusive on whether they are cost-oriented, based on the quality of service, non-discriminatory or influenced by the universal service obligation, but most indicate they are not transparent.

Over 80 percent of universal service providers believe the principles underpinning the establishment of prices of universal postal services should not be defined in EU law, while 57 percent of consumers, 90 percent of national regulators and the majority of trade unions believe they should be defined in EU law.

Most of the regulators (77 percent), universal service providers (65 percent) and almost all (90 percent) of the representatives of trade unions believe that tariff regulation helps to make universal postal services affordable, although most think only to some extent.. Many of the comments provided mention that affordability is relative and not defined clearly by the Directive and some point out that tariff regulation can create competitive disadvantages for the universal service provider.

Regarding the balance between cost-orientation and affordability, the opinions of those who replied are split evenly between those who think there is balance between the two and those who said that there is too much emphasis either on affordability or on cost orientation. Universal service providers incline slightly towards the fact that a right balance has been achieved, while most regulators believe too much emphasis to be on cost-orientation. In the comments, some indicate that affordability of letters is maintained primarily due to low usage.

46 percent of all stakeholders that responded to the consultation believe universal service cost should be financed from the State budget. This was notably the case for over 70 percent of universal service providers, 67 percent of trade unions and 52 percent of consumers, while only 27 percent of regulators share this opinion. Regulators suggested a combination of contributions from the State, consumers and competing postal operators should finance the universal service.

Quality of service and complaints

A majority of consumers that responded to the consultation are partly or fully satisfied with the access to the postal network in terms of number of letterboxes and post offices. Most consumers are however slightly or very dissatisfied with the reliability of delivery (items delivered), regularity (items delivered on time) and delivery and collection location (number of alternative solutions), while no clear opinion on delivery speed was expressed. The majority of consumers living in rural areas responded that they are at least partially satisfied with all the features mentioned above. The majority of business senders answered in a similar way to all consumers.

When comparing these features to 10 years ago, the majority of consumers believe that the access to the postal network in terms of number of letter boxes and post offices is now worse or significantly worse. Delivery speed, reliability and regularity of delivery has not changed, while delivery and collection location is better nowadays. These views are shared by consumers living in rural areas, except for the access to the postal network, where the situation is considered not to have changed. The majority of business senders

answered in a similar way except for collection location where they believe it is worse (but only a very limited number of business senders replied to the consultation).

Almost all consumers that replied are aware that it is possible to lodge a complaint when they encounter a problem with the service (such as non-compliance with the quality of service standards, damage, loss or theft) and more than half have lodged a complaint with the postal service provider. The majority thinks that the complaint handling procedure of the provider was not at all or only to some extent easy to find and simple to file, and almost all of the ones who replied stated that it is very much free of charge or inexpensive but many stated that the procedure was not at all effective in addressing the matter and not at all fast. Only two business senders stated that they ever lodged a complaint and associations of business senders stated that they never lodged a complaint.

Among the consumers that lodged a complaint about lost/damaged goods, only 20 percent reported that they were reimbursed.

Only 10 consumers reported that they ever complained about a cross-border delivery and 6 of them replied that it was easy to establish which postal operator was responsible.

When asked how satisfied they are with the way in which universal service provides/postal operators handle complaints, the majority of consumers that responded to that question stated that they are not satisfied. The main reasons given were the very long time for processing complaints, or the fact that the postal operator did not provide any reply to the complaint.

Designation and safeguarding universal postal services

The vast majority of questions under this section were addressed to a limited number of stakeholders, in particular to postal service providers/associations of postal service providers, and/or public authorities.

The associations representing non-universal service providers are the most critical when asked how the financial compensation mechanism put in place to safeguard the provision of the universal postal services has evolved over the past 10 years. 67 percent of them stated that the compensation mechanism evolved negatively in terms of transparency, non-discrimination, proportionality and application of objective and verifiable criteria. The vast majority of universal service providers are split between saying it has evolved positively and it has not evolved at all. Over half of regulators that responded to the consultation reported a positive evolution of the financial compensation mechanism in terms of the four mentioned features.

The majority of regulators believe that in determining the eligible amount of compensation, the net avoided cost methodology is appropriate, reliable, but also cumbersome. The majority also stated that the net-cost calculation guidance provided by the directive has been useful and that the separate accounts kept by the universal service provider in their Member State observe the principles for allocation of common costs established by the directive, and that in the majority of cases this has been verified by an independent external body. Among the regulators that stated that the net-cost calculation guidance provided by the directive has not been useful, some added that the wide margin of discretion that the methodology allows (e.g. in the definition of the counterfactual scenario) has led to countless disputes between the regulator and the universal service

provider, that the calculation of the net cost using the guidance is very complicated, while a clearer and more objective methodology would be required for regulators, and that the intangible costs are very hard to take into account.

It is not possible to draw conclusions on the aspects regarding the selection procedure for a universal service provider, as almost all postal service providers stated that there was no selection procedure in their country or they did not provide a response to that question.

Access and level playing field

The vast majority of universal service providers, non-universal service providers as well as the association representing universal service providers and regulators believe it is easier to enter the postal market today compared to 10 years ago. The vast majority of associations representing non-universal service providers stated that it is not easier and the reasons given were the investment levels required, the fact that they cannot compete with the prices of the universal service provider and because of economies of scale and scope.

Around 55 percent of consumers responded that they are aware of providers of postal services aside from the traditional one in their country for what concerns the sending of domestic and international letters, while 38 percent replied that they are not. For domestic and international parcels, the figures change to over 80 percent for awareness and less than 10 percent for non-awareness of alternative providers.

On the issue of whether the Directive has contributed to effective competition in the postal markets in Member States, the vast majority (over 80 percent) of regulators stated that there is no or insufficient competition in the one-piece letter market, while over 60 percent are of the view that there is some competition for the bulk letter market. The picture is completely different regarding the parcel market, where over 45 percent of regulators believe there is significant competition in the one-piece parcel market and over 70 percent believe there is significant competition in the bulk parcel market.

In contrast to the regulators, around 50 percent of universal service providers are of the opinion that there is some competition in the one-piece letter market and significant competition in the bulk letter market. Similar to the regulators, almost all universal service providers agree that there is significant competition in both the one-piece and bulk parcel markets. The association representing the universal service providers stated that competition is significant in all four market segments. This is to be contrasted against the views of the majority of the associations representing the non-universal service providers, which are of the view that there is no or insufficient competition in the one-piece letter market and some competition in the remaining three segments.

When analysing the replies to the question on how competition has evolved over the last 10 years in these 4 markets, all regulators stated that competition was stationary or has decreased in the one-piece letter market and over 80 percent believe that it was stationary or had increased in the bulk letter market. Again, results are quite different for what concerns the parcel market, where the vast majority of regulators stated that competition in the last 10 years has increased or significantly increased in both the one-piece and bulk parcel markets.

Over 50 percent of universal service providers believe that competition has remained stationary in the one-piece letter market, 60 percent that it increased or significantly increased in the bulk letter market, 95 percent that it increased or significantly increased in the one-piece parcel market and there is unanimity that it significantly increased in the bulk parcel market. The association representing the universal service providers stated that competition increased significantly in all four segments, while the majority of associations representing non-universal service providers stated that competition decreased in the one-piece letter market, increased or remained stationary in the bulk letter market, decreased or remained stationary in the one-piece parcel market and increased in the bulk parcel market.

The majority of regulators believe that the following measures under the directive – definition of the universal service, territorial coverage required, quality requirements, designation of a universal service provider, universal service financing mechanism, tariff regulation of universal services, – had no impact on competition in the postal market of their respective countries, while the accounting separation obligation for designated universal service provider, the enforcement policy of the regulator, wholesale tariff regulation of cross-border universal postal services and access regulation had a positive impact and the VAT exemption had a negative impact. The majority of universal service providers stated that all these measures had no impact on competition. The majority of associations representing the non-universal service providers stated that the definition of the universal service, territorial coverage required, designation of a universal service provider, universal service financing mechanism and VAT exemption negatively affected competition. Accounting separation obligation for designated universal service provider and enforcement policy of the regulator had a positive effect on competition, while quality requirements, tariff regulation of universal services, wholesale tariff regulation of cross-border universal postal services and access regulation had no impact.

For what concerns the access conditions implemented in their Member State for the postal network and elements of infrastructure (postal network, postcode system, address database, post office boxes, delivery boxes, information on change of address, redirection service, return to sender service), almost all the universal service providers replied that they are transparent, non-discriminatory and proportional. Extremely few associations representing non-universal service providers replied to that question and one stated that access conditions are discriminatory.

Independent regulators

Concerning the independence of regulators, the vast majority (76 percent) of postal operators believe the national regulatory authorities in charge with ensuring compliance with the Directive are fully independent, while the majority (50 percent) of associations representing non-universal service providers stated that they are only partially independent. 43 percent of postal operators have not perceived any change in the level of independence over the past 10 years.

General authorisation and licensing

Around 80 percent of universal service providers and the majority of non-universal service providers and their associations state that definitions used to determine the scope

of the Directive, such as “postal services”, “postal item”, “postal service provider”, “universal service” and “user/sender” have had no impact on their activity. A few universal service providers stated that as long as the objectives of the Directive remain unchanged so should the definitions. One universal service provider stated that the definitions largely remain fit for purpose and are sufficient to provide clarity to postal service providers in the conduct of their business. However, the application of definitions is not uniform across all Member States and this can lead to unequal regulatory and market conditions. At the same time, around 70 percent of regulators responded that all definitions except the one on “universal service” have a negative impact on their activities. In particular, they state that the definitions of “postal service” and of “postal provider” are not clear and do not reflect the developments in the postal market since the adoption of the Directive.

Over 70 percent of universal service providers and the majority of non-universal service providers stated that the different authorisation systems in the Member States have not been an obstacle for the establishment and provision of cross-border postal services. Some of them mentioned that different extraterritorial office of exchange policies could in theory constitute an obstacle for cross-border provision of postal services.

It is not possible to draw a conclusion from the responses of the universal service providers and the regulators regarding the extent to which the opening of the postal market has affected operational costs and prices of services over the last 10 years, as responses are evenly scattered among the response “increased somewhat” and “decreased somewhat”.

The main three aspects that generate the largest costs for universal service providers are the provision of the postal universal service (100 percent of respondents), implementing the quality requirements (72 percent) and data collection and reporting (56 percent). For non-universal service providers the largest costs are licencing, authorisations (67 percent), data collection, and reporting (44 percent).

Harmonised technical standards

Among universal service providers, 88 percent responded that postal technical standards have kept pace with developments in technology and the evolution of users’ needs and over 50 percent of regulators are of the same view. A number of associations representing non-universal providers, however, disagree with that statement. As concerns the actual use of postal technical standards, most universal service providers report that they use both CEN standards and UPU standards, with a higher percentage using UPU standards “to a large extent” (71 percent, versus 57 percent for CEN standards). Some also reported using “other standards”, which generally refers to some use of ISO standards.

When asked which areas of standardisation have the most impact on their operations, “quality of service” (e.g. transit time measurement, complaints handling) was ranked as the most important by 72 percent of universal service providers. The other areas ranked in terms of importance for universal service providers were standards for “processing” (e.g. automatic identification of items), which was ranked as the second most important by over 60 percent of respondents, “delivery” (e.g. technical features of parcel boxes, apertures of private letter boxes), which was ranked as the third most important area by

55 percent of respondents, and “digital services” (e.g. secured electronic postal services), which was ranked as the fourth most important area by 44 percent of the respondents.

As mentioned above, most operators use standards to some extent. In the cases where they do not use certain standards, a number of reasons were given by the universal service providers. The most relevant ones are that implementation would be too costly (55 percent), that some standards are not suited to needs (39 percent), and that others do not use the standards (33 percent). Associations of non-universal service providers reported that standards are not suited to their needs and that they are outdated.

Almost all universal service providers (95 percent) and the few non-universal service providers that responded stated that none of the optional standards should be made mandatory. A number of regulators believe that they should be made mandatory and mentioned the ones on the measurement of transit times for parcels and on interoperability and exchange of electronic data between providers, online shops, consumers and other authorities (e.g. customs).

Finally, the public consultation indicated that standardisation has had a positive impact on the provision of cross-border postal services. 65 percent of the respondents that replied to that question agreed that standards have had a positive or very positive impact on this aspect of EU postal services.

Impact of the COVID-19 crisis

The majority of consumers (including those living in rural areas) and business senders state that because of the COVID-19 crisis, the timely delivery and frequency of delivery for both letter mail and parcels has decreased while there was no impact on the cost of delivery for both services. Some trade unions reported an increase in the cost of delivery for both letter mail and parcels. A majority of universal service providers and regulators responded that the punctuality of delivery of letter mail and parcels decreased, there was no impact on the frequency of delivery and that cost for the delivery of both services increased.

Almost all universal service providers and the vast majority of regulators state that the COVID-19 crisis had a negative effect on the demand and use of all types of letter mail. Consumer responses are less clear-cut as they are divided between those that consider COVID-19 had a negative effect and those who believe it did not have any effect on demand and use of letter mail. The majority of all these stakeholders agree that COVID-19 had a positive effect on the demand and use of parcel delivery services.

When asked about the effect of the COVID-19 pandemic on the current trends in the postal market, there is consensus among the majority of all stakeholders that the decline in letter mail volumes due to electronic communications, the decline in advertising mail, the growth in domestic and cross-border e-commerce related parcels will accelerate.

Almost all universal service providers, the association representing them and over 70 percent of regulators believe that the provisions of the Directive have been sufficiently flexible to allow the postal sector to adjust in response to the COVID-19 pandemic. Some of them stated that the provisions could enable a quick and effective response during the lockdown in Member States in order to ensure the provision of the universal postal service and securing the health of both postal staff and customers.

Overall role and effects of the Directive

When asked whether some of the objectives of the Directive have been achieved and are still relevant, respondents replied:

Table 12 Were the objectives of the Directive achieved? Are they still relevant?

	ACHIEVED				RELEVANT		
	Yes, completely	Yes, partially	Not at all	I do not know	Yes	No	I do not know
Universal service to all citizens across the territory	47 percent	30 percent	6 percent	17 percent	87 percent	5 percent	8 percent
Better quality of domestic services	22 percent	33 percent	24 percent	21 percent	71 percent	20 percent	9 percent
Better quality of cross-border services	20 percent	32 percent	19 percent	29 percent	67 percent	19 percent	14 percent
Affordable prices for services	27 percent	29 percent	25 percent	19 percent	74 percent	17 percent	9 percent
Transparent and non-discriminatory prices	27 percent	19 percent	33 percent	21 percent	79 percent	14 percent	7 percent
Competition in the postal markets	26 percent	34 percent	22 percent	18 percent	64 percent	25 percent	11 percent

More than half (55 percent) of the respondents indicate not being aware of any unintended negative effects, due to the directive, or finding the effects just positive. A number of respondents (39 percent) however think that the directive has led to unintended negative effects, for example, in terms of not meeting its objectives on improved competition in the letter market and enhanced quality of service. Some stakeholders also call for more flexibility on delivery frequency, while others find the directive obsolete.

The majority of regulators believe that the opening of the postal market to new providers has only in part contributed to maintaining sustainable and quality employment within universal service providers and facilitating the creation of new jobs in alternative providers, while there is no clear opinion on whether it has contributed to expanding the overall size of the postal market. The almost totality of universal service providers believe that market opening has not at all or just in part contributed to expanding the size of the market and maintaining sustainable and quality employment within their organisations and believe that it has in part contributed to the creation of jobs in alternative providers. Half of the associations representing non-universal service providers share the view on the creation of new jobs.

More than half of the trade unions that replied find that the opening of the postal market to new providers has not contributed effectively at all to maintaining sustainable and quality employment within universal providers or to facilitating the creation of new jobs

in alternative providers. They mention the increase in part-time work and precarious working conditions as negative consequences.

Close to 70 percent of universal service providers, as well as the association representing them consider that the directive provides the necessary level of flexibility to meet the particular circumstances and needs in their Member State. Some associations representing non-universal service providers believe that the directive is not flexible enough. The majority of regulators believe the same and a number of them mention the lack of flexibility in the 5-days collection and delivery provision.

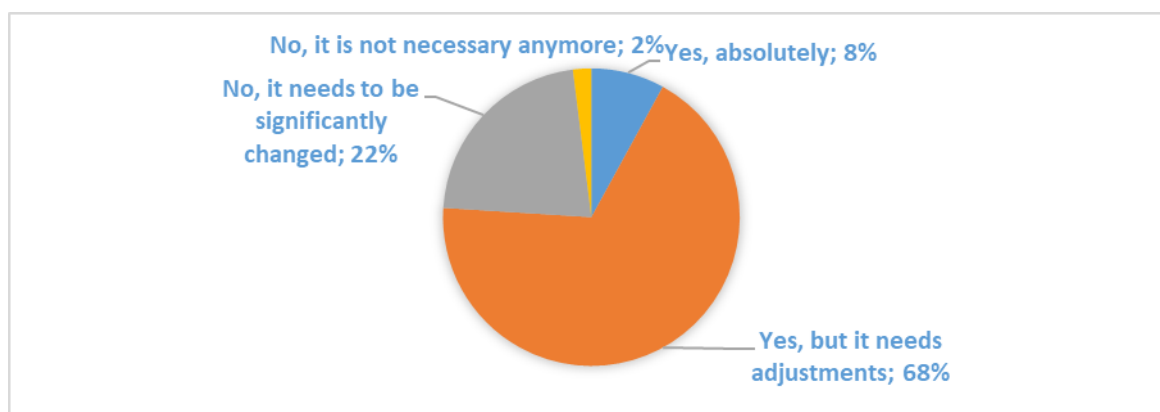
The majority of universal service providers and the few non-universal service providers and associations representing them that responded stated that they have not come across additional requirements in the national postal legislation that have dissuaded them from operating in another country.

Many respondents believe that the measures set out by the Directive are in line, or at least partly in line, with other EU policies, for example with customs regulations (30 percent), competition framework (36 percent), consumer rights framework (42 percent), or regional cohesion policies (33 percent). Fewer among the respondents think the measures are in line, or partly in line, with The Digital Single Market Strategy and subsequent policies (29 percent), taxation policies (26 percent), trade policies and agreements (23 percent), labour and social policies (22 percent), environmental regulations (20 percent), or with transport policies (19 percent).

Many of the respondents assess that the postal sector developed to some extent (35 percent) or even to great extent (28 percent) in an environmentally sustainable manner, while others think that it has not developed at all in such a manner (23 percent). Slightly fewer believe that the postal sector has contributed to some extent (31 percent) or to great extent (15 percent) to the fight against climate change, but almost as many (29 percent) say it has not contributed at all. Those who were the most critical mentioned an increase in traffic, the lack of provisions on the use of rail and electric transport for shipments and delivery of items.

When asked if, in light of changes in users' needs and in the market context, the Directive is still fit for purpose, respondents replied:

Figure 7 Is the Directive still fit for purpose?



9. ANNEX 3: METHODS AND INFORMATION SOURCES

WIK (2021) User Needs in the Postal Sector and Evaluation of the Regulatory Framework

Part of the background information and analysis for the evaluation comes from the WIK study on “User Needs in the Postal Sector and Evaluation of the Regulatory Framework”, done for the Commission (WIK (2021)). The study was approved in August 2020.

The study provides:

- an overview of the development of user needs in the postal sector, focusing on an analysis of the need for universal service obligations;
- an evaluation of the Postal Services Directive.

This is an exploratory study about user needs in the postal sector. It was initiated and largely finalized before the establishment of the evaluation inter-service steering group. The initial focus of the study was on future user needs, and the evaluation aspects became increasingly emphasized as the work progressed.

The study evaluates different specific elements of the regulatory framework for postal services, organised in seven groups of major topics, following the logic of the Directive. Each of these seven groups covered relevant provision in the Directive and were analysed in accordance with the five criteria of the Commission’s Better Regulation Guidelines.

For market overview and background data, WIK relies on published data referred to in previous studies or from Eurostat, European Regulators Group for Postal services, operators’ annual reports and similar sources. The study also relies on WIK’s own surveys, undertaken for this purpose, to show the views, needs and expectations of policy makers, operators and stakeholders. As the WIK online survey was answered by a larger number of respondents than that of the EC, it was used with priority when stakeholder views were necessary for the analysis. WIK made an effort to collect adequate and relevant data. For some aspects, notably the cost-benefit analysis (and in particular the part on benefits), there is however a lack of data covering several Member States and longer time periods. This has obvious implications on the robustness of the results. The consultant addresses this by drawing lessons from studies concerning individual Member States or case studies.

The key findings are summed up in each section, with a clear connection to the results and analysis in the preceding text. As concerns the evaluation part of the study, the findings are more elaborated for some criteria and for the more encompassing provisions (notably on “ensuring universal service”).

While conclusions are anchored in the findings and overall analysis, the evidence base as such is not always solid in terms of quantifications (due to limited data availability). Rather than on solid data, much of the evidence base comes from the surveys conducted by WIK. There is not always a clear distinction between findings and conclusions. In the evaluation section, the conclusions sum up the results for each of the five criteria, and the findings provide an overall view. The conclusions are non-biased as they are based on overall results and no particular perspective (e.g., from a stakeholder group or special interest) is given undue weight.

Cost-benefit analysis

As pointed out in section 4 of the Staff Working Document, there are usually no quantifications (or estimates of monetary values) available as concerns societal benefits. The explanations of the cost-benefit analysis in this section takes that into account, and also gives background on the analysis done in the efficiency analysis (section 5.2 of the Staff Working Document). This section is based on input from WIK (2021) discussed above.

The efficiency section of the Staff Working Document discusses costs and benefits for some of the key provisions of the Directive. The table below provides an overview of costs and benefits analysed in that section.

Table 13 Costs and benefits of universal service provision and regulation

Universal service regulation (including scope of the universal service obligation, ensuring and financing universal service)	
Costs	Compensated net cost of the universal service obligation / price for providing selected universal services fixed in procurement procedures in order to maintain specific services or service levels
	Operational costs for compliance with the Directive's provisions
	Administrative costs for universal service providers, for non-universal service providers, and for regulators induced by the application of the Directive.
Benefits	Postal users' benefits from universal service regulation
	Social cohesion
	Enabling reliable communication among citizens, businesses, and public institutions
	Enabling access to printed newspapers
	Enabling postal vote
	Create/maintain comparable living conditions in rural and urban areas (territorial cohesion)
	Enabling access to affordable communication services

Net cost of the operator ensuring the universal service obligation

The relevant costs come from:

- having to invest in and maintain additional post offices;
- having to keep additional network and distribution capacity several days per week in all regions, with more use of staff and vehicles;
- having to keep prices below a profit-maximizing level.

The obligation to provide the services that the operator could otherwise avoid also brings some income flows, so in the net cost calculation, the costs mentioned above are put in relation to the **benefits the operator gets** from universal service provision, such as:

- extra revenues directly related to the additional offices and network,
- other extra (intangible) revenues related to being a universal service provider. Such revenues and advantages may be of significant importance for the universal service provider. They include the following:
 - brand value and demand complementarities;
 - economies of scale and scope;
 - demand effects due to the VAT exemption;
 - network advantages and enhanced advertising effect;
 - improved customer acquisition due to uniform price.

Administrative costs

The Directive induces general, **administrative** costs related to e.g. controls regarding price, quality and market opening, such as:

- costs incurred by regulatory authorities;
- costs incurred by universal service providers and other operators that have to comply with the rules that are set out in the Directive;

Estimating the administrative costs of **regulatory authorities** for each of the regulatory aspects is done by investigating the postal budget of national regulatory authorities, where available (and estimate it for a few countries where postal budgets are not published).²⁵⁹ The share of national regulatory authorities' budgets used for regulatory activities related to the Directive are subsequently estimated, checked/verified with the members of the European Regulators Group for Postal Services and, finally, the estimate is adjusted.

Table 14 Total budgets of regulators for postal regulation (figures from 2017 or 2018)

Regulatory aspect	Total EU-28 ²⁶⁰ (EUR million)	Percent share
Total regulatory budget	45.2	
Ensuring / monitoring universal service provision and financing	17.2	38 percent
Quality requirements	4.5	10 percent
Complaint procedures	9.0	20 percent
Price regulation	6.8	15 percent
Administering authorisations & market opening	6.8	15 percent
Harmonising technical standards	0.9	2 percent

Source: WIK (2021), p. 166.

²⁵⁹ WIK (2021), p. 165-166

²⁶⁰ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

As shown in Table 14 above, around 38 percent of the national regulatory authorities' budget is used for ensuring and monitoring the universal service provision, equalling approximately EUR 17.2 million. This means that EU national regulatory authorities' budgets amounted to approximately EUR 0.04 per capita for ensuring universal service provision. The costs for national regulatory authorities for measuring and monitoring quality of service include not only administrative costs for reviews, but also costs of regulators having to bear the costs of quality measurements. Price regulation induces administrative costs for national regulatory authorities amounting to approximately EUR 6.8 million in all EU Member States combined, corresponding to approximately EUR 0.01 per capita on average.

For **market opening** the costs of the national regulatory authorities relate to market monitoring, verifying and regulating downstream access as well as access to postal infrastructure elements, managing authorisation procedures, and controlling compliance with the relevant conditions. Such costs are about the same level as administrative costs for price regulation meaning that the costs per capita are very low.

All **universal service providers** also incur administrative costs as they have to comply with the Directive. Such costs relate notably to reporting on the performance of universal service provision, maintaining separate accounts for universal and non-universal services, applying for authorisations to provide universal postal services, calculating net cost (for those that do such calculation) and reporting to national regulatory authorities (in some Member States), and requesting approval for tariff increases subject to price regulation

Only two universal service providers have undertaken the effort to produce cost figures for costs of regulation, namely An Post (Ireland) and Royal Mail (United Kingdom). To estimate the administrative costs of universal service providers, we use information about An Post and Royal Mail as examples, see Table 15 below.

Table 15 Costs of regulation (universal service providers)

Country	Operator	Year	Cost (million EUR)	percent of turnover of universal services	EUR per capita
Ireland	An Post	2016	1.8	0.4 percent	0.38
United Kingdom	Royal Mail	2016/2017	8.7	0.1 percent	0.13

Source: ComReg (2017), Submissions in response to consultation on Draft Postal Strategy Statement, p. 16, as reported by WIK, p. 197.

Using the relationship between universal service provider costs of regulation provided by Royal Mail and An Post on the one hand and the national regulatory authority budgets in these countries on the other hand, it is possible to estimate the administrative costs of other Member State universal service providers stemming from postal regulation. The administrative costs range from below EUR 1 Mio for small Member States to over EUR 12 Million for the German universal service provider.²⁶¹ The total administrative cost

²⁶¹ WIK estimates (WIK (2021), p. 198)

amounts to an estimated EUR 75 million in 2018 for the EU28 Member States. It is not possible to separate these costs depending on which part of the Directive they relate to. Hence, while small in relation to the turnover of universal services, compared to the budgets of the regulatory authorities, the costs of universal service providers are thus quite considerable.

For universal service providers, the administrative costs of measuring **quality** (transit time for postal items) as required by the Directive vary substantially depending on the scope of universal services reviewed and the letter mail volumes of the relevant universal service provider. The cost of such measurements are borne by the universal service provider in most Member States.²⁶² Based on discussions and interviews with various universal service providers, WIK estimate the costs for quality measurements borne by universal service providers to be very low (less than 0.01 percent of the total cost of their mail business).²⁶³ The cost is typically below EUR 1 million for large operators per year, and even less for smaller operators.

By adding the estimated total administrative cost for universal service providers and the estimated total cost for national regulatory authorities, the costs per capita for **ensuring universal service** provision can be estimated at below EUR 0.20 per year in many Member States. In addition, while the net cost compensation can vary significantly, with some extreme cases, the State aid costs per capita for ensuring universal service provision can be estimated at below EUR 1 per year in many Member States.

Table 16 EU-28²⁶⁴ costs for compliance with the Directive per capita

Provision	Administrative cost of universal service providers per capita	Regulator budget per capita	Net cost / other compensation per capita
Ensuring universal service provision	up to EUR 0.15	EUR 0.04	EUR 0-6.40
Quality requirements	Less than EUR 0.15	EUR 0.01	-
Price regulation	Less than EUR 0.15	EUR 0.01	-
Competition, market access	Less than EUR 0.15	EUR 0.01	-

Societal benefits of universal postal services

It is not possible to quantify the societal benefits of universal postal services. Universal postal services means there is a means of communication and economic participation throughout the EU, though digital communication is increasingly changing that picture.

²⁶² Cost borne by operator in 21 Member states, by the regulator in four Member States (no information for Denmark and Finland). See European Regulators Group for Postal Services (2019), Report on Quality of service, consumer protection and complaint handling, p. 59.

²⁶³ WIK (2021) p. 234.

²⁶⁴ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

The magnitude of such benefits are analysed based notably on user surveys. Attempts at modelling or estimating data on the monetary value of universal postal services and how they contribute to improving communication and economic participation have not been made, also not at Member State level.

Table 17 Stakeholders benefitting from universal service provision

Stakeholders		Examples of main benefits
Postal users	Senders using universal service products	<ul style="list-style-type: none"> • 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
	Consumers	
	Small and medium-sized businesses (SMEs)	
	Non-profit organisations	
	Receivers	
Society as a whole		<ul style="list-style-type: none"> • Social cohesion (basic service available to all, irrespective of economic resources or digital skills) • Create/maintain comparable living conditions in rural and urban areas (territorial cohesion)

10. ANNEX 4: ANALYSIS OF THE APPLICATION OF THE POSTAL SERVICES DIRECTIVE, IN VIEW OF THE SIXTH APPLICATION REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

1. THE MARKET (OVERVIEW OF THE POSTAL SECTOR IN EUROPE)

1.1 Volumes

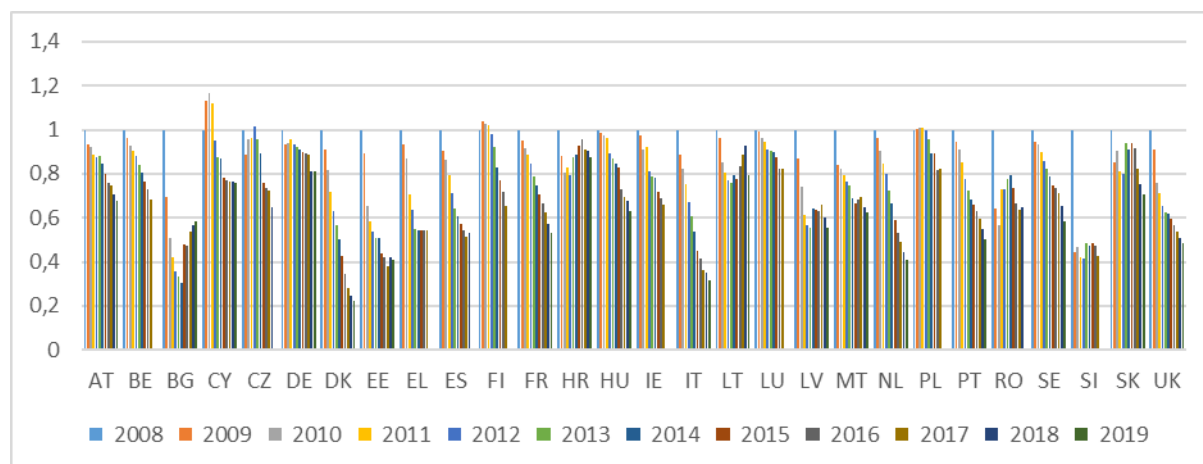
Letter post

Letter postal volumes in the EU were stable or increasing until 2008 when the global financial crisis accelerated substantial change. The impact of the following economic recession led to a decrease in letter post, and volumes never recovered to the levels before the crisis. In 2017 in the EU, the number of letter post mail amounted to 59 billion items²⁶⁵, 34 billion items less than in 2008, when the third Postal Service Directive was adopted. Germany, France, and the United Kingdom account for two third of total letter post volumes.

In the period 2008-2017 there has been an average yearly decline of -4,9 percent in the European Union (EU28). This decline is widespread and occurring in almost all member states. For most of the countries where data is available this declining trend continues in 2018 and 2019. Before, in the period 1998 until 2007, volumes increased by 0.52% on average.

The contraction of the economy due to Covid-19 crisis, where letter mail volumes are estimated to have dropped in the range of -12 percent and -26 percent²⁶⁶ accelerates the structural letter post volume decline.

Figure 8 Letter mail volumes, 2008-2019



Source: Based on raw data of WIK (2021), the Commission added data for years 2018 and 2019 when available from public sources.

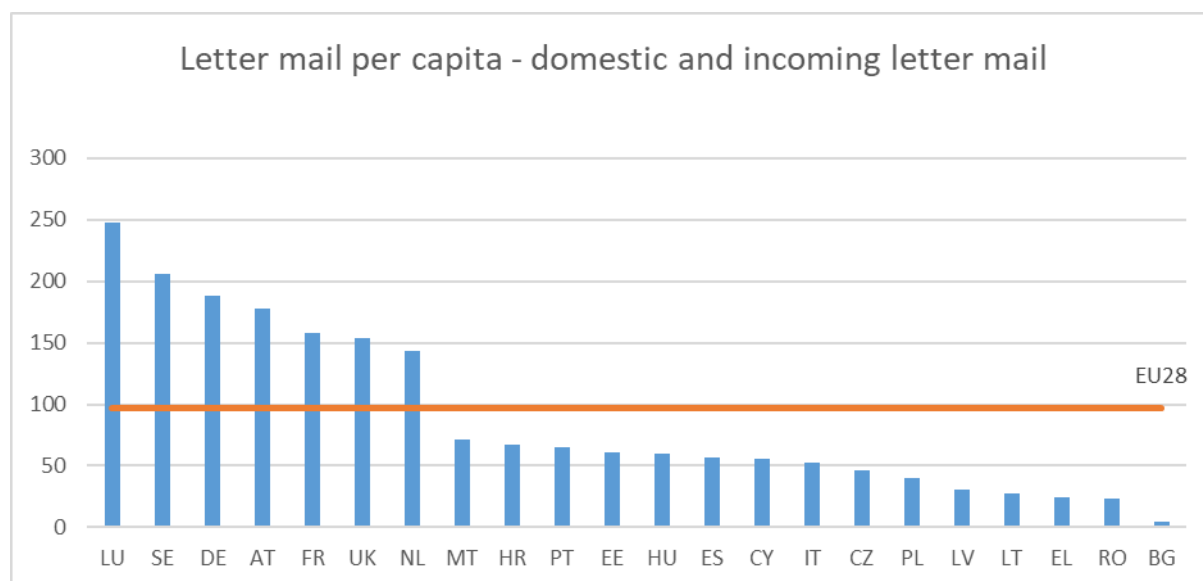
The historically strong correlation between the level of economy activity and letter post volumes per capita still holds to a certain extent. The Member States with a high GDP per

²⁶⁵ EC calculations based on raw data of WIK (2021)

²⁶⁶ Copenhagen Economics (2020), results of 8 universal service providers in the EU

capita still have the highest letter post volumes per capita. The EU average was about 97 items per capita.

Figure 9 Letter mail per capita, 2018



Source: EC postal statistics

Ninety-three percent of letter post mail is sent domestically, and inbound and outbound letter post represent respectively only 4 percent and 3 percent of the total. There is some divergence across countries for the share of inbound letter post where in a few Eastern European countries (Czech Republic and the Baltic states), Luxembourg and in all the island countries (Cyprus, Ireland, Iceland and Malta) it reach higher levels of at least 10 percent of total mail.

Parcel delivery services

Online shopping took-off in the early 2000s, when the internet became more widely available to the public. Since then e-commerce drives the growth of parcel and express delivery services. Especially in the last years there is an acceleration in the parcel volume growth.

Globally, the average growth in parcel volumes in the second quarter of 2020, during the COVID-19 lockdown, was 43 percent²⁶⁷. The trend has continued throughout the rest of the year.²⁶⁸ At the same time, international mail fell by 27 percent, especially flows from China.²⁶⁹ Before the pandemic, global online sales were predicted to roughly double between 2019 and 2024, but recent trends suggest the COVID-19 crisis will push this timeline forward²⁷⁰ and a stronger growth of intra-EU parcel traffic than of incoming international traffic is likely. Findings from a recent representative survey²⁷¹ confirm that 51% of consumers bought more from domestic e-retailers and 33% bought more from foreign e-

²⁶⁷ IPC (2020), p. 9.

²⁶⁸ 22 European national regulators reported on increased parcel volumes in August (compared with 15 reporting in April), European Regulators Group for Postal Services II (20) 26.

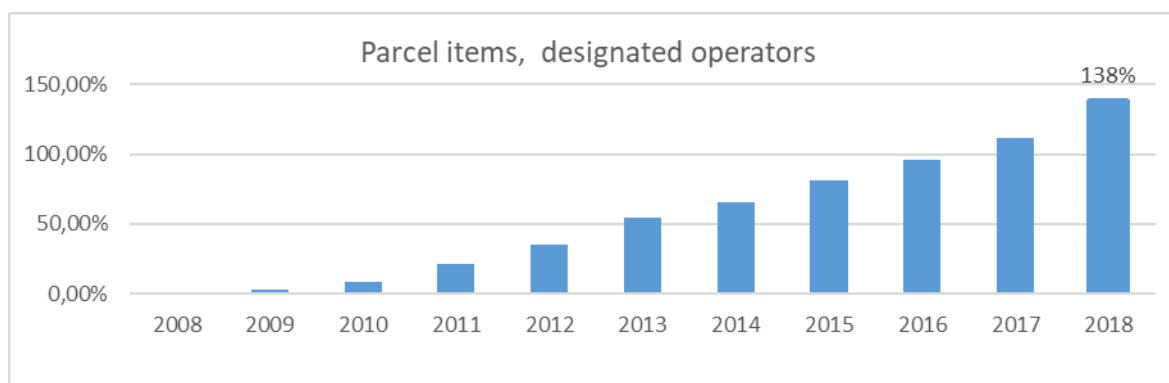
²⁶⁹ IPC (2020).

²⁷⁰ *Ibid.*

²⁷¹ <https://www.ipc.be/shopper> (February 2021)

retailers due to COVID-19 and that China’s share of cross-border e-commerce purchases decreased for the first time in 2020.

Figure 10 Growth rate parcels, domestic and international service -dispatch, EU 27



Source : UPU postal statistics, EU27 aggregate, designated operators, exclude express and incoming parcels

Statistics on the total size of the market of parcel and express delivery services, capturing the volumes of all the providers are not available for the entire period 2008-2018. UPU statistics for EU27 for the period 2008-2018²⁷² show that parcel volumes from designated operators (excluding incoming and express items) increased annually by 9 percent. There are indications that some challenges related to cross-border e-commerce delivery may still remain as concerns consumer experiences.²⁷³

Parcel volumes, including volumes of other parcel operators and express items, are estimated to have reached around 9 billion items in the EU28 by 2018²⁷⁴. Germany, France, and the United Kingdom account for two third of total parcel volumes.

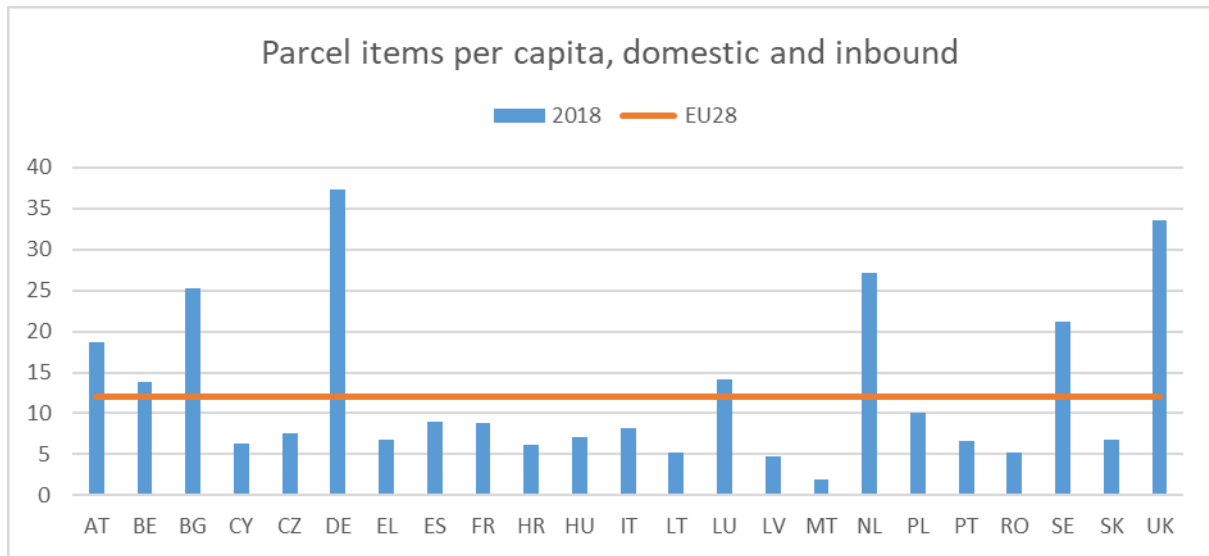
Postal recipients of high GDP per capita countries on average tend to receive more parcels. In 2018, the EU average was 12 parcels per year.

²⁷² UPU postal statistics, EU27 aggregate, designated operators, exclude express and incoming parcels

²⁷³ Report on the first short-term review of the Geo-blocking Regulation, COM (2020), 766 final.

²⁷⁴ EC postal statistics, domestic and outbound

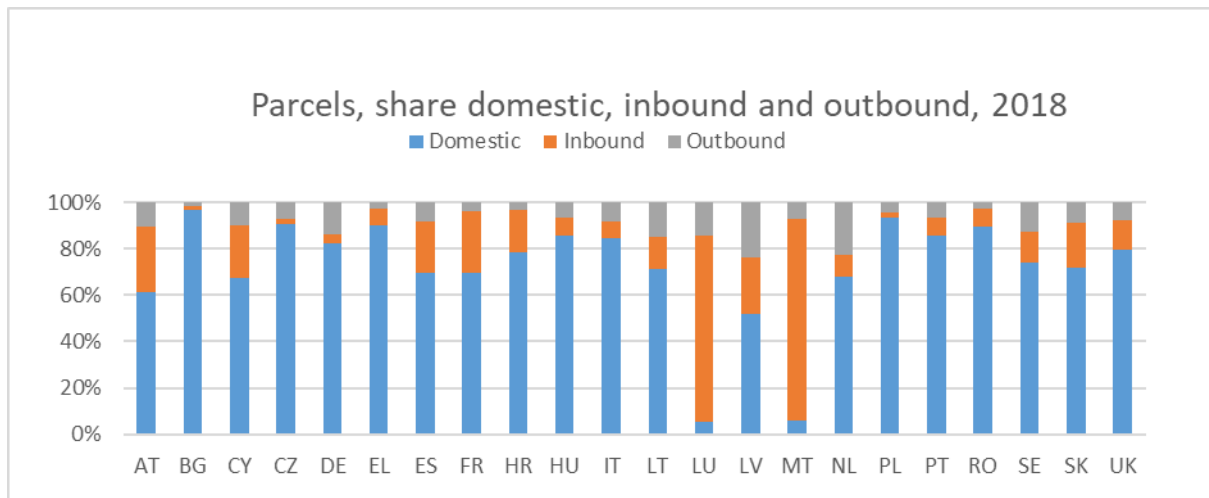
Figure 11 Parcels per capita, domestic and inbound, 2018



Source: EC postal statistics

In contrast with letter post the share of international parcel delivery services is higher, with incoming (inbound) and outgoing (outbound) parcels representing respectively 10 percent and 11 percent of total volumes in the EU.

Figure 12 Parcel volumes, EU28, 2018



Source: EC postal statistics

Growing parcel volumes have not compensated yet the letter volume decline in terms of number of items. In 2018, the share of parcels represents only 14.5 percent of all postal items²⁷⁵. Bulgaria is the only EU country where more parcels than letters are sent.

1.2 Main drivers of change in the postal sector

Economic activity was historically the main driver of letter volumes²⁷⁶. There is some evidence that the strength of the relationship weakens when digitalisation of a country's

²⁷⁵ Based on raw data, EC postal statistics

²⁷⁶ WIK (2013), pp 194-200.

economy intensifies strongly, and notably when government and businesses actively oblige or incentivize the population to use digital communication tools. This is a major example of how the postal industry has been affected by exogenous structural phenomena in recent years. In the last 5 years, large postal senders such as government and businesses have been an important driving force for the replacement of postal products by digital solutions. They increasingly replace paper-based communication with office and transactional mail.

In many areas, but certainly not all, paper-based communication has been replaced by electronic communication. There are several drivers of developments in the postal market, involving competitive pressure from other sectors, notably digitisation of business communication, of private users' communication, and use of e-government services. Evolving technical solutions, such as use of hybrid mail also play a role, as does the general internet access.

Compared with 2007, the share of online shoppers in the EU population has more than doubled from 27 percent²⁷⁷. In 2019, 60 percent of people has shopped online, a further increase of 11 percentage points since 2015. The European B2C e-commerce market is estimated to have increased from EUR 307 billion in 2013 to EUR 636 billion in 2019. This means an average annual growth of 13 percent.²⁷⁸

Business communication as a driver

In the recent years, digitisation has significantly changed the way companies communicate with their customers, suppliers, partners and government. Still, 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 percent of companies (with more than 10 employees) in the EU-28²⁷⁹, received their orders electronically, which in turn relates to 17 percent of their total turnover. Compared to 2014, this means marginal increases of 2 percentage points in the share of companies and 3 percentage points in turnover.

Enterprises are part of supply chains with other suppliers, distributors and large customers. They have connected their business processes and related systems, such as stock keeping. A specific aspect of linking enterprise processes electronically with their suppliers and customers relates to online purchases. On average, 27 percent of enterprises purchase their materials and components from suppliers online in 2018 versus 23 percent in 2014.²⁸⁰ The development of online purchasing depends largely on how online marketplaces for B2B develop in the years to come. 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.

At European level, public administrations have been modernised and there has been a strong push towards e-invoicing with the Directive on electronic invoicing in 2014.²⁸¹ The push for

²⁷⁷ Eurostat, ICT indicators

²⁷⁸ Estimate from Ecommerce Europe, as quoted by WIK (2020), p. 47.

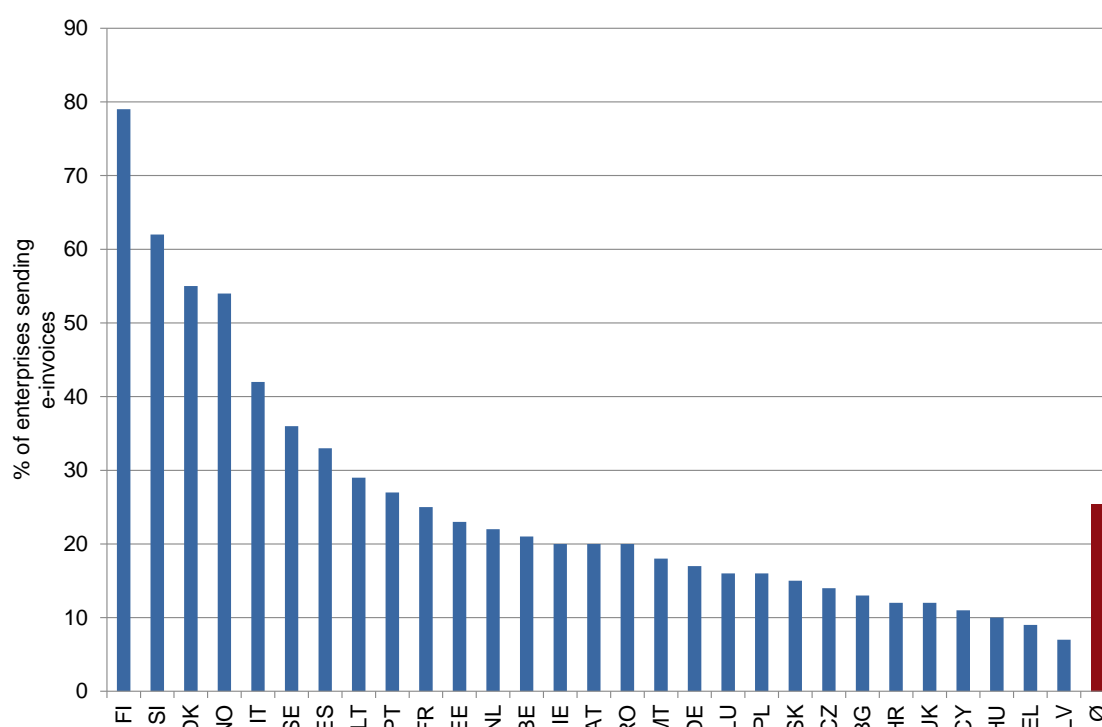
²⁷⁹ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

²⁸⁰ Eurostat, as quoted by WIK (2021) p. 58-59.

²⁸¹ Directive 2014/55/EU

e-government is increasing the replacement of letter products for businesses, especially when it comes to government e-procurement and related e-invoicing. It should be noted, though, that the replacement of 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. E-invoicing may be the form of business digitisation that has the most direct effect on postal operators. From the figure below, it is clear that on average at least 25 percent of EU enterprises are able to generate their invoices electronically. There are large differences among Member States, however. The Nordic countries are forerunners, with more than half of the enterprises sending e-invoices but overall it may be concluded that invoices are still an area where most enterprises prefer to send letters and where there is a large potential for replacement of letters by digital solutions in the future.

Figure 13 Percentage of enterprises sending e-invoices suitable for automated processing (2018)



Source: Eurostat, quoted in WIK (2021), p. 57.

Note: Ø measures the average for EU-28²⁸² plus NO.

The pace of digitisation and replacement of B2X letters differs between Member States, between sectors and between large companies and SMEs. Attractive price strategies of postal operators, in an attempt to maintain certain mail volumes, can be effective if aimed at enterprises shifting towards electronic variants, as the implementation costs and related personal efforts can be significant. However, this will most likely only delay replacement of

²⁸² In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

letters 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 the rhythm of letter replacement.

Private communication as a driver

Internet access crossed a boundary in 2007, when a majority (55 percent) of households in the EU-28²⁸³ had internet access. This proportion continued to increase, passing three quarters in 2012 and four fifths in 2014²⁸⁴. By 2019, the share of EU-27²⁸⁵ households with internet access had risen to 92 percent, some 29 percentage points higher than in 2008²⁸⁶, and ninety percent of households had broadband.

In 2019, more than three quarters (77 percent) of individuals in the EU-27 actually accessed the internet on a daily basis with a further 7 percent using it at least once a week (but not daily). In 2009 only 46 percent used internet on a daily basis.²⁸⁷ Connecting to the internet became easier with more people using portable computers or handheld devices, and mobile phone networks or wireless connections to connect in another location than home or work place. In 2013, 39 percent of the population in the EU-27 used a mobile device to connect to the internet, while by 2019 this share had risen to 73 percent. 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 percent of all individuals in the EU-28²⁸⁸, Norway, Iceland, and Switzerland used the internet to send and receive e-mails in 2018.

Another platform that increasingly more people use to communicate are the various social networks. The figure below illustrates the share of individuals for a number of countries that use the internet to participate in social networks between 2014 and 2018. The participation in social networks has increased from 2014 to 2018 in all countries, as shown in *Figure 14* below.

²⁸³ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

²⁸⁴ https://ec.europa.eu/eurostat/statistics-explained/index.php/Digital_economy_and_society_statistics_-_households_and_individuals#Internet_access

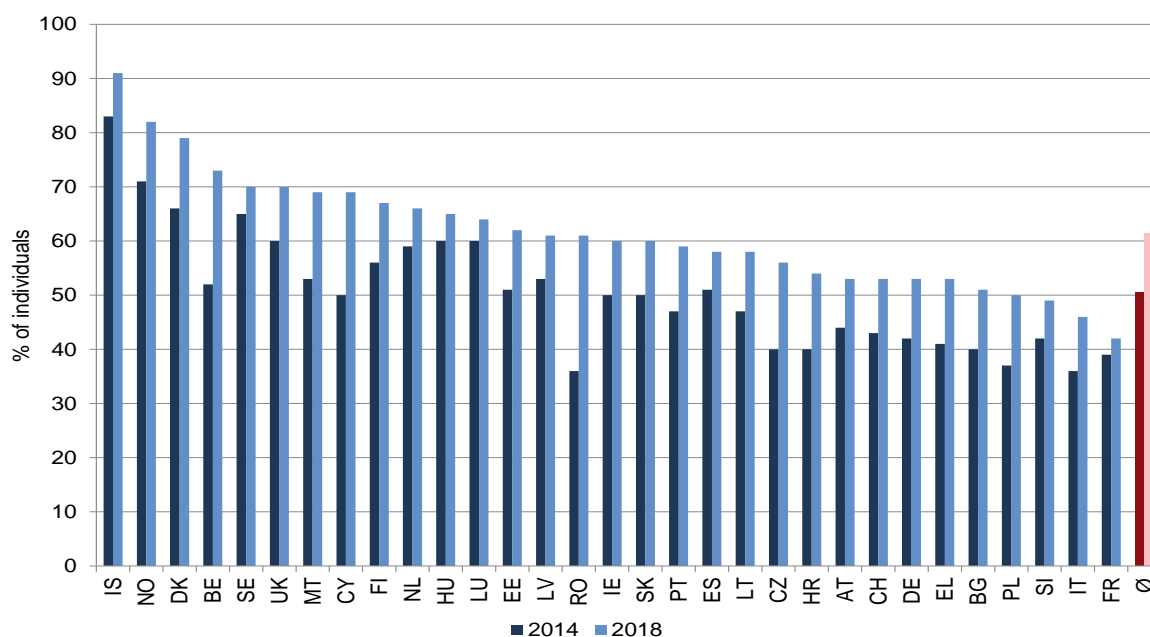
²⁸⁵ In this document, EU-27 refers to all Member States of the European Union between January 2007 and 30 June 2013 and aggregated data referring to any interval of that period.

²⁸⁶ Eurostat ICT survey

²⁸⁷ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_bdek_di&lang=en

²⁸⁸ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

Figure 14 Individuals' internet use to participate in social networks, 2014-2018



Source: Eurostat, quoted in WIK (2021), p. 64.

Note: Ø measures the average for EU-28²⁸⁹ plus IS, NO and CH. Most recent data for CH is 2017.

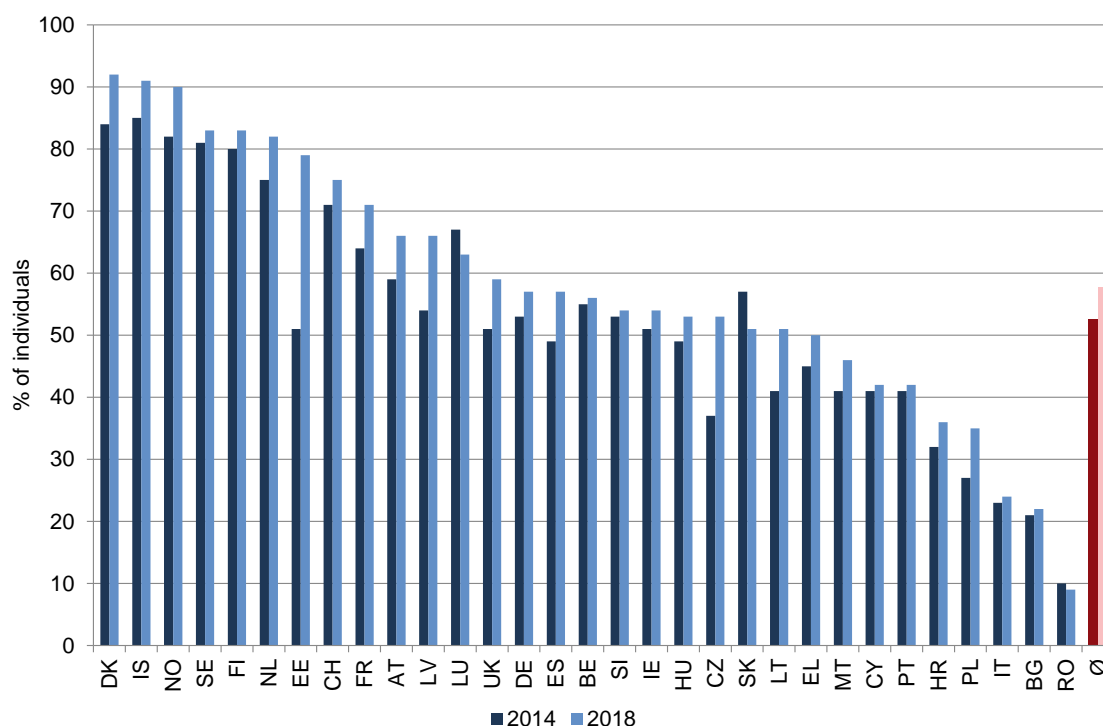
The group of individuals who use the internet for social communication today includes the vast majority of the population in almost all Member States. E-mail, social networks, and the use of multiple internet access devices have reached all age groups. Consumer letters and cards have seen the most dramatic 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 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.

Government as a driver (e-government services)

The possibility to interact with public authorities over the internet is slowly beginning to gain traction. 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 percent to 58 percent of individuals.

²⁸⁹ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

Figure 15 Individuals' internet use to interact with public authorities in the last 12 months, 2014-2018



Source: Eurostat, quoted in WIK (2021), p. 67.

Note: Ø measures the average for EU-28²⁹⁰ plus IS, NO and CH. Most recent data for CH is 2017.

Few Member States have already managed to introduce e-government solutions in almost all public service areas. It may be concluded²⁹¹ that countries with strong e-government initiatives have lost more letters per capita than those countries where digitization is relatively lower. For instance, in Denmark the government launched an e-government strategy in 2011, declaring that by 2015 80 percent of the communication between citizens and public authorities should be digital. Consequently the Danish letter volumes dropped by 61 percent in 2011-2017.²⁹²

The vast majority is only halfway or made even less progress. It can therefore be assumed that in most Member States the replacement of Gov2X letters by digital solutions has only just started and will proceed even more quickly with the full implementation of 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. Government could also play a role through roll-out of new infrastructures (5G mobile network) and obligations of public authorities to use e-procurement platforms might accelerate the development.

²⁹⁰ In this document, EU-28 refers to all Member States of the European Union in the period between 1 July 2013 and 31 January 2020 and aggregated data referring to any interval of that period.

²⁹¹ WIK (2021), p. 25.

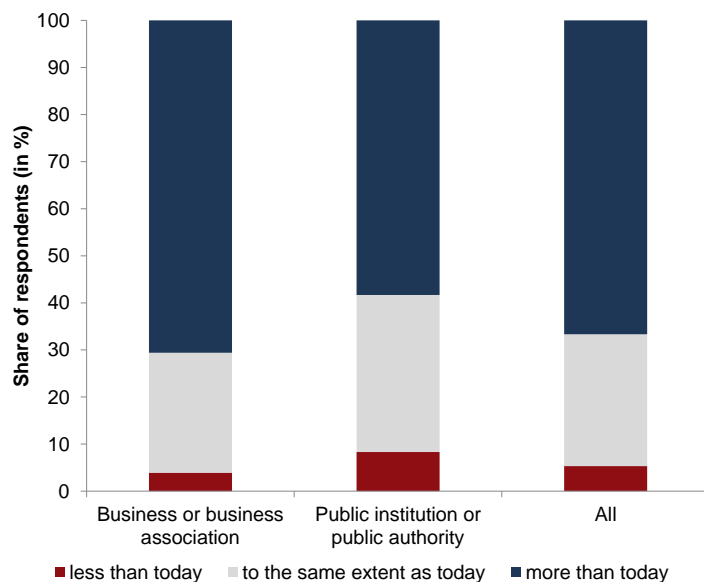
²⁹² Calculations based on raw data WIK (2021).

Technical development as a driver - 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.²⁹³ 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 solutions potentially facilitate the transition process from paper-based to digital communications. The solutions could also help with narrowing the “digital divide” between people that do not use the internet 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. However, awareness of and demand for hybrid mail solutions still seems to be rather low.

Figure 16 Use of hybrid mail solutions in future (respondents using hybrid mail, in per cent)



Source: WIK (2021), p. 46.

Businesses are in principle ready for digitisation and replacement 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 the replacement of letters by digital solutions. 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

²⁹³ Defined in CEN/TS 16326:2013, Postal Services - Hybrid Mail - Functional Specification for postal registered electronic mail.

and security or archiving issues. The trend towards digitisation and replacement 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.

1.3 Changing User Needs

The societal need to ensure bidirectional communication and broadcast information is increasingly being fulfilled by internet and digital services. Broadband coverage has overtaken the role that postal networks used to play in the past for ensuring the economic, territorial and social cohesion of the European Union. The fact that the 7th Report on Economic, Social and Territorial Cohesion (2017) does not mention postal services at any point²⁹⁴ testifies to this.

As the role of the postal service in society is changing, postal operators, regulators and governments have been undertaking in the last years studies and surveys of the postal users in their countries. The Commission contracted an extensive in depth review of this body of research that summarized the main trends of the users' behaviour and preferences. Even if the Directive does not differentiate between individual consumers and business users of postal services, most surveys address these two groups separately and identify particularities for each regarding the purposes of using postal services, the alternatives for letter post, and the rationale behind the choice for different means of communication.

The decline in letters and increase in parcels already manifest in the last decade (see section 1.1 of Annex 4) corresponds to the behaviour trends evidenced by most consumer surveys reviewed: people, and especially younger people, send less letters and cards and receive more parcels than older generations used to. This is a reliable indication that this trend is likely to continue into the future²⁹⁵. However, experts do not agree on whether letters will ever completely disappear under the pressure of digital alternatives²⁹⁶.

Digital solutions replace private letters more than business letters. Consumers/private citizens increasingly use the postal product of letters only for special occasions, for ceremonial purposes, to send congratulation or invitation cards. Business users, especially the less digitized small and medium enterprises, still use letter mail for administrative purposes and marketing, but rely increasingly on digital solutions and 32 percent expect to do so more in the future. Public administrations progressively digitalise their interactions with constituents, but the efforts are very different between Member States. The one group for which letters seem to maintain their importance is that of blind and partially sighted citizens, who rely on mail for the transfer and distribution of Braille publications²⁹⁷.

The results of the WIK online survey (see *Figure 17*) indicate that the majority of stakeholders in the postal sector in Europe, i.e. regulators, operators and postal users, expect significant volume declines for all postal segments, except parcels (fulfilment). More than 60 percent of respondents expect declining volumes of correspondence (i.e. transactional mail, office mail

²⁹⁴ WIK (2021), p.139

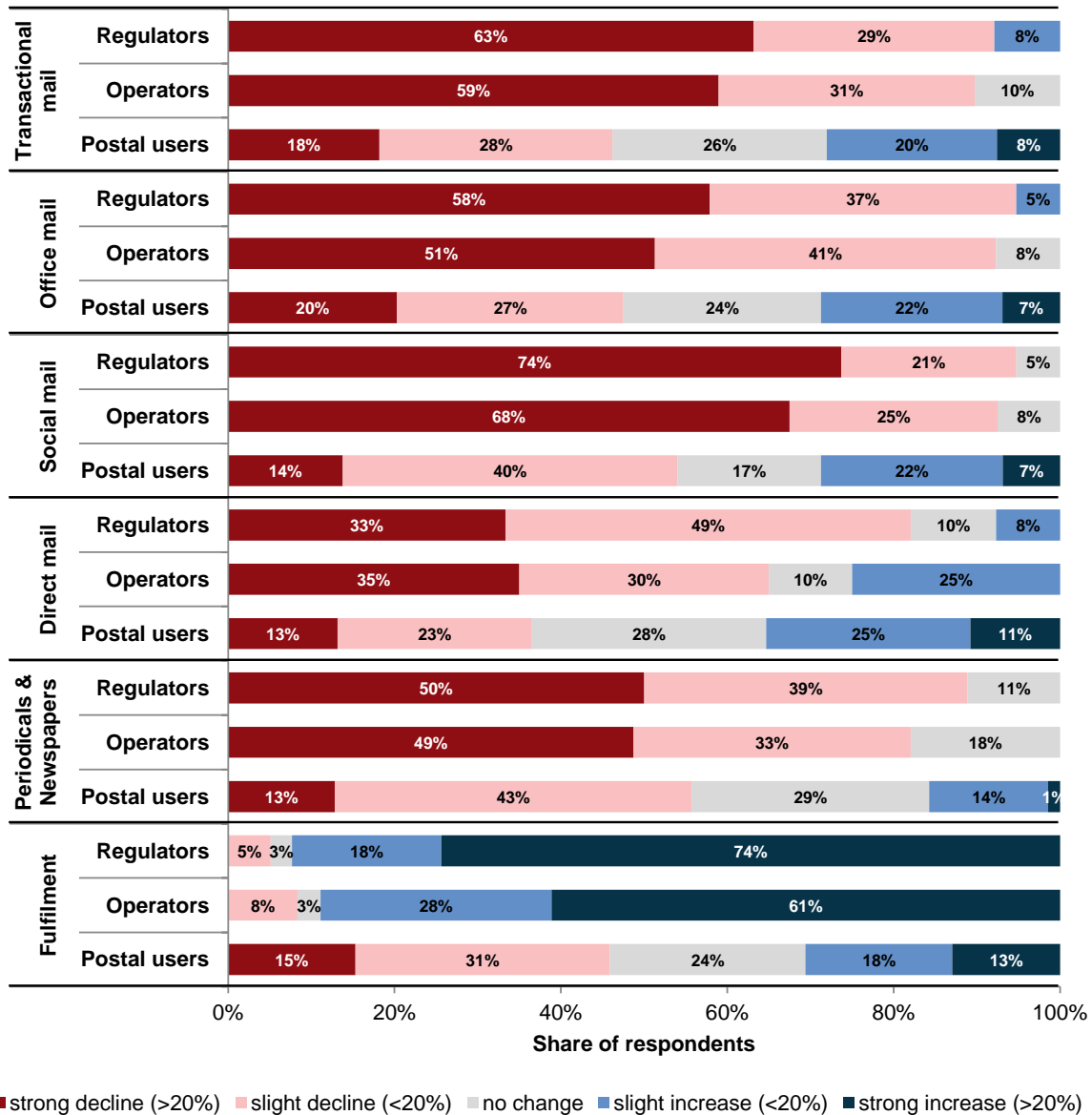
²⁹⁵ WIK (2021), pp.93

²⁹⁶ WIK (2021), pp.106

²⁹⁷ WIK (2021), p.93-94

and social mail) and more than 30 percent expect significant volume declines of more than 20 percent during the next ten years. Direct mail will also decrease, but at a slower pace. Even the fact that an increasing number of small e-commerce goods will ship as letter-mail will only slow down the overall letter volume decline, not stop or reverse it²⁹⁸.

Figure 17 Stakeholders' expectations of letter volume development over the next 10 years



Source: WIK Stakeholder online survey 2019, WIK (2021)

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 trend of digital solutions gradually replacing letters as a means of communication is clear and looks irreversible, but its speed is not steady or completely predictable and it does not

²⁹⁸ WIK (2021), pp.83-85

evolve at the same pace in all Member States. However, with Denmark, The Netherlands and Estonia leading the way both in adoption of digital solutions at country level and decline in letter use, there seems to exist a weak but plausible correlation between the availability of broadband internet and digital skills and the decline in letter usage. Nevertheless, letter mail still represents a substantial part of the postal business in many Member States, even though the share varies substantially between France where letters still represent 78 percent of postal volumes and Bulgaria where they represent only 4 percent²⁹⁹.

Network coverage, delivery to the door

A number of national surveys indicate that private citizens seem to appreciate the fact that they are virtually connected by a nation-wide postal network that covers their entire country and having the possibility to send letters or parcels to any point in this territory. They rely on the role of the postal network in ensuring social cohesion.

The presence of a postal outlet in the vicinity and a dense network of postal outlets is regarded by a majority of respondents to the WIK online survey as indispensable in the future, for postal or other, financial or community services. Qualitative research indicates plausibly that the accessibility of postal outlets is especially important for people with reduced mobility and people living in remote areas. 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 groups³⁰⁰.

Regarding the role of the postal outlets, some postal user surveys show that in Germany and the Czech Republic they are mostly used for postal services and increasingly less for financial services, unlike in Malta where they are still used for the payment of bills. Basic financial services are offered in postal outlets as part of a public service obligation in the Czech Republic, France and many Eastern Member States. In some countries, like Sweden, postal outlets are the standard delivery location for parcels or the standard fall-back solution if the universal service provider fails to deliver at the first attempt. They are often used to buy stamps and to send registered letters and parcels (including ecommerce returns) and in Portugal they are important for citizen's daily life in rural areas.

Despite the continuous tendency to decrease the density of the postal network, the WIK (2021) study shows that consumers seem usually satisfied with the number and density of postal outlets as well as with services provided. It is however not clear if the consumers surveyed had recently been exposed to the shutting down of postal outlets. Surveys from some Member States indicate that consumers request a higher density (Poland) and longer opening hours (Portugal, Romania) to improve the accessibility of postal outlets in the early morning, evening and at weekends, so that the increasing number of e-commerce delivery can be collected or returned.

The European postal regulators report that postal users generally disagree with any proposals to reduce accessibility, especially in the case of delivery to the doorstep (home delivery)³⁰¹

²⁹⁹ EC postal statistics

³⁰⁰ WIK (2021), p.114

³⁰¹ European Regulators Group for Postal Services (16) 36, p. 28.

and they prefer the delivery mode they are used to. Numerous surveys indicate that both private users and SME's prefer 'delivery to the door' (letters and letter-box sized small packages are delivered to the letter box of each household/business) over 'community letter boxes' (centrally situated letter boxes where individuals and businesses can collect their postal items) and, when asked, they refuse to give up one for the other.

The exact method of parcel delivery varies greatly among Member States: from the predominance of delivery at the doorstep to pick-up from a parcel locker or from the nearest postal outlet. Surveys indicate that in some countries consumers are willing to accept alternative delivery locations for parcels additional to home delivery (Denmark, Germany, Malta). 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) and age of the user (younger people are more willing to use parcel lockers instead of postal outlets). E-retailers and business/private consumers welcome how parcel carriers build up alternative pick-up and drop-off points for more convenient online-shopping³⁰².

Frequency of collection and delivery

Respondents to a dedicated survey considered daily delivery (5 days/week, as mandated per the Directive) more important in the case of transactional mail, office mail and all parcels (B2X, C2X, e-commerce returns and e-commerce goods), than in the case of direct mail, consumer letters and cards, newspapers, and "other" postal items³⁰³.

Surveys from six Member States show that a majority of consumers would accept four delivery days (or less) and only two surveys found a majority of the local private users reluctant to accept a reduction of the frequency of delivery. Business users, on the other hand, both receivers and senders, seem more reluctant to accept reductions of the delivery frequency for letters³⁰⁴.

Speed of delivery

The results of a dedicated survey suggest that respondents value speed of delivery as slightly more important than the daily delivery of postal items. It is possible, however, that the consumers failed to see the correlation between frequency of delivery and speed of delivery. The speed of delivery is rated as being more important for transaction mail, office mail and parcels than for consumer letters, cards or newspapers³⁰⁵.

The results of the literature review show that in many countries (Belgium, France, Ireland, the Netherlands and Romania) 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. Also, users expect to benefit from lower postal tariffs if they accept slower delivery.

³⁰² WIK (2021), p.108

³⁰³ WIK (2021), p.108

³⁰⁴ WIK (2021), p.109

³⁰⁵ WIK (2021), p.110

It appears that the need for next-day delivery services also correlates with 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. In Sweden, overnight delivery is of greater importance for the elderly and respondents in areas with poorer accessibility³⁰⁶.

There are countries (Belgium, Ireland, the Netherlands, and Sweden) where postal users favour reliably predictable delivery services (e.g. day-definite delivery) over overnight delivery or delivery on five days per week. The postal users of Poland value delivery on time, especially in the case of parcels.

The literature review indicates an increasing need of postal users, in their role as recipients of e-commerce parcels, for more flexibility and predictability in the delivery time (day and time of day). This requires more flexibility in the delivery days (e.g. deliveries on Saturdays and Sundays), 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. Business users (with constantly manned offices) usually prefer delivery in the morning.

Vulnerable users

The WIK study³⁰⁷ has identified five groups that are, in the context of progressing digitisation and e-substitution, more likely than others to be dependent on postal services. These groups combine characteristics like low income, lack of digital skills, residence in remote and rural areas, and reduced mobility or disabilities. The low-income group was estimated to more than 23 percent of the EU population in 2016, unevenly distributed between Member States. Persons with reduced mobility, who can either be elderly (105 million people over 65 years), or have a disability (74 million), may face particular difficulties reaching the nearest post office if the density of postal outlets were reduced. This also applies to the inhabitants of rural or remote areas (97 million in 2017, 19 percent of all EU population), who represent more than half of the population of Estonia, Ireland, Slovenia and Romania. Although rapidly decreasing, 12 percent of EU citizens still lack the necessary digital skills to use the internet at all and 25 percent of those who use it report low levels of digital skills, which could prevent them from replacing letters with digital solutions³⁰⁸. Visually impaired persons rely heavily on letters and currently receive Braille documents free of charge.

1.4 Prices

Letters

Between 1998 and 2019 real prices³⁰⁹ of the most commonly used letter mail product, a single piece priority letter 20g, increased annually on average by 2.7 percent in the European Union.

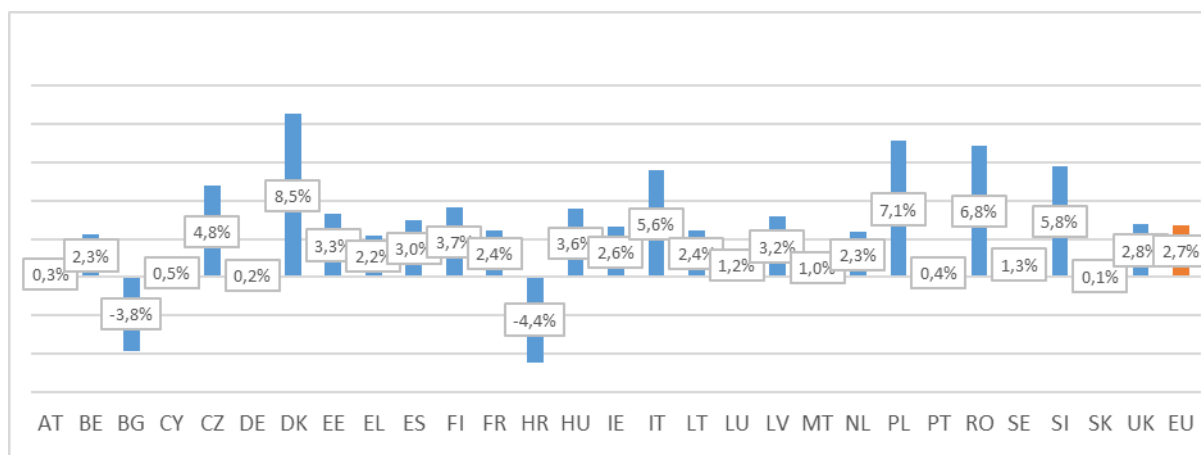
³⁰⁶ WIK (2021), p.111

³⁰⁷ WIK (2021), pp.118-134

³⁰⁸ Wik Consult (2020), User Needs and Evaluation of the Regulatory Framework, p.126.

³⁰⁹ Prices corrected for inflation

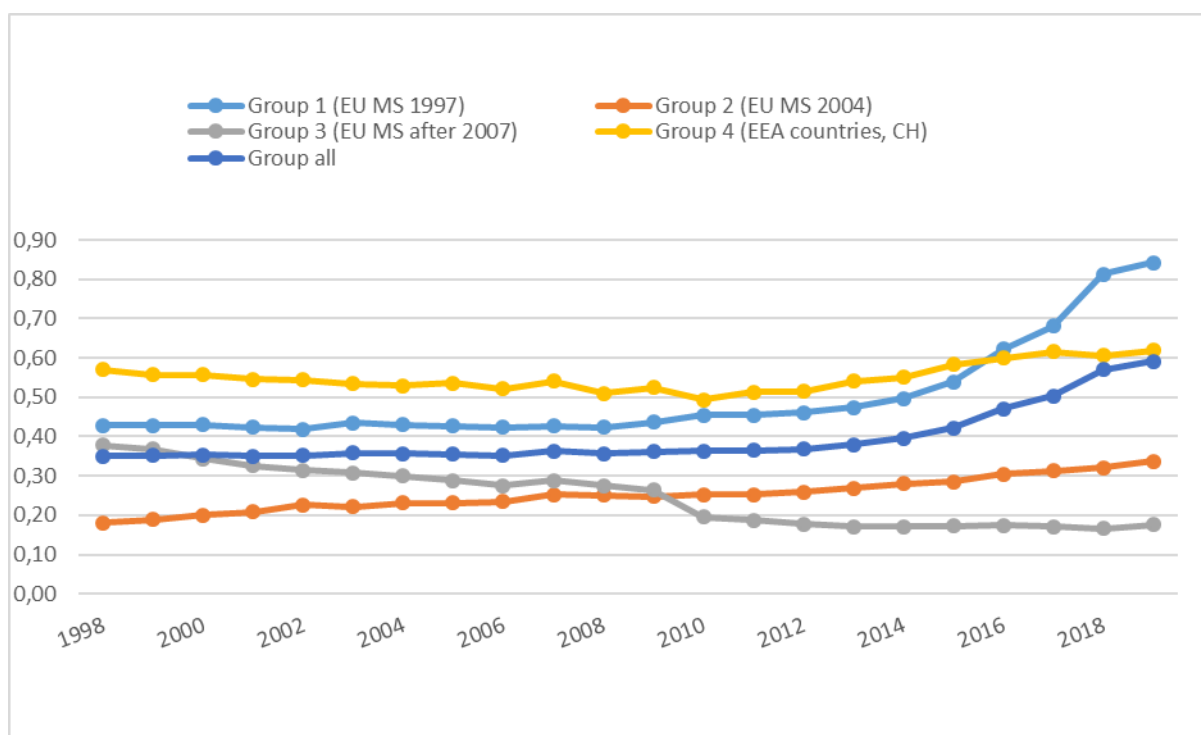
Figure 18 Real price for priority domestic letter 20g: CAGR 1998-2019



Source: Based on raw data of WIK (2021)

In the first years after the adoption of the Directive, end of the nineties until the third revision of the Directive, prices corrected for inflation in the Member States increased slightly by 0,48% on average per year, but this changed after the financial crisis in 2008 when price increases started to accelerate. This sharper increase coincides with accelerated letter mail volume decline and the modus shift from physical letters to digital communication³¹⁰.

Figure 19 Public tariff for domestic priority letter 20g (real prices, Euro)



Source: Based on raw data of WIK (2021)

Price information of universal bulk mail (for larger senders) is not always published, although the Directive requires transparency and non-discrimination when it is in the scope of the

³¹⁰ Exception for EU Member States that joined after 2007 (Romania, Bulgaria, Croatia)

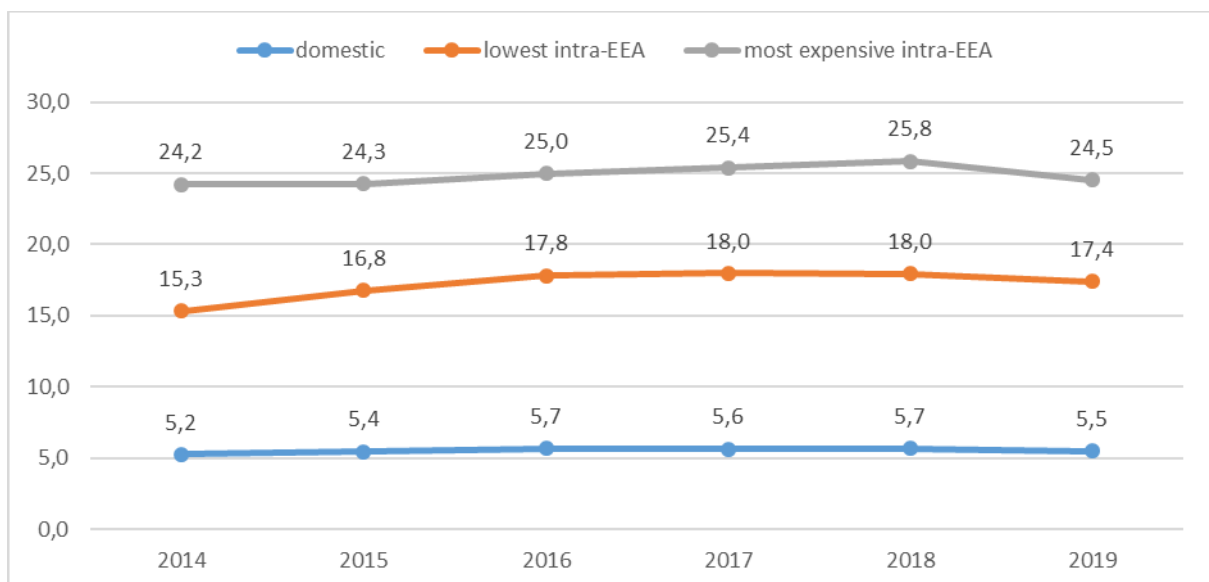
USO. Bulk mail is for a large part in the hands of large mailers such as banks, utility companies, and public authorities. As the bulk senders hold some purchasing power, it is reasonable to conclude that the price increase in this segment will have been more moderate than for single piece letters.

There is no accurate data on the price elasticity, but it is expected that letter prices will become more elastic as the digitisation of the economy intensifies.

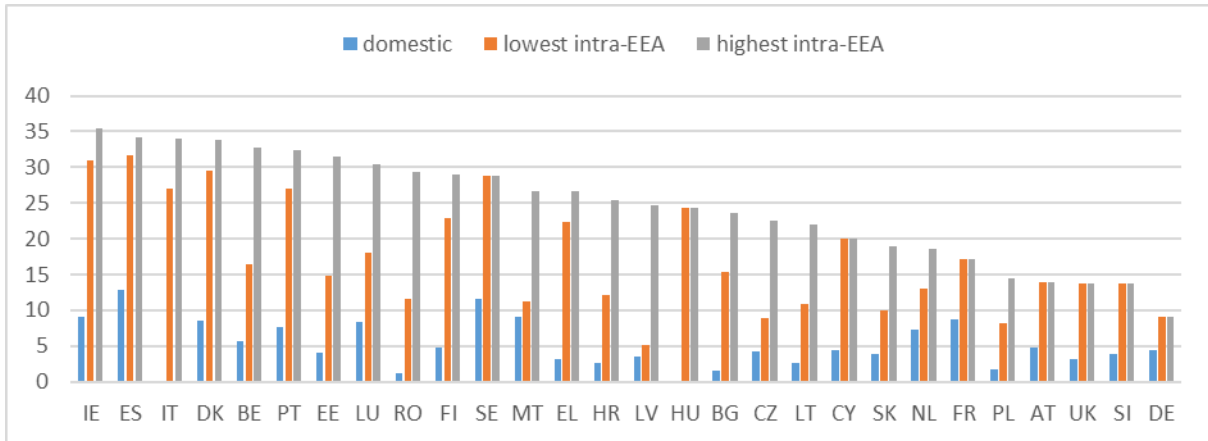
Parcels

Between 2014-2019 prices for a standard 2 kg parcel show a moderate price growth. The domestic nominal price of a standard 2kg universal parcel on average increased by 1,0 percent annually, and the nominal price of the cheapest and most expensive cross-border destination by respectively 2.6 percent and 0.3 percent. In 2019 a standard domestic parcel 2kg in the European Union costs on average EUR 5.5, compared to a much higher price³¹¹ for the cheapest and for the most expensive cross-border destination.

Figure 20 Parcel prices in EUR, 2 kg, domestic and intra-EEA, 2019



³¹¹ EUR 17.3 for the cheapest and EUR 25.7 for the most expensive cross-border destination in the EEA



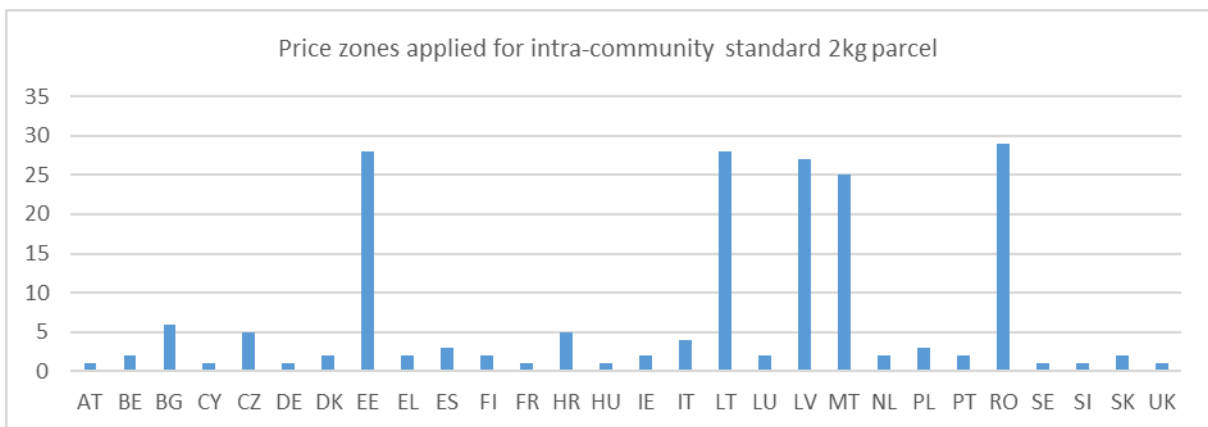
Source: EU postal statistics

More recent information from the web tool on cross-border parcel prices³¹² covering the prices for 1400 of parcel and express services from more than 378 operators shows a marginal increase overall for parcels, and for certain operators a small price decrease between 2019 and 2020.

Between the Member States there is also a large price difference for cross-border parcels. When the price to send a universal cross-border parcel is identified as high compared to prices of other Member States the postal regulatory authority is required under the ‘Regulation on cross-border parcel delivery’ to perform a price assessment, where it examines cost elements and assesses if cross-border prices are not too high.

The price of sending an international parcel can depend on what zone the destination country is in. For cross-border parcels several universal service providers countries adopt uniform prices (Germany, Denmark, Italy, Sweden). The majority have only two or three different prices depending on the destination country. There are a few countries (Estonia, Latvia, Lithuania, Latvia, Malta and Romania, which apply almost for every destination a different price.

Figure 21 Number of geographical zones applied for the pricing of intra-EEA standard 2kg parcel, 2018



Source: EC postal statistics

³¹² https://ec.europa.eu/growth/sectors/postal-services/parcel-delivery/public-tariffs-cross-border_en

1.5 Competition, operators, ownership, performance, profitability

When volumes decline, nearly all senders in a market mail less, rather than some senders stop using mail and others keeping their volumes stable. 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. Operators therefore have to keep the same network to meet the needs of both senders and receivers, albeit with reduced general volumes. This makes it more difficult to realise economies of scale which is a necessity for a postal business to be profitable.

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 1988.³¹³

According to the available data submitted by the European Regulators Group for Postal Services, in 2019 the number of active postal service providers in the EU, which includes smaller parcel delivery operators and individual subcontractors, amounted to 18364 across the EU, down from 20127 in 2014. These include small parcel delivery operators and individual subcontractors.

Most of the alternative postal operators are active only on the parcel and express markets. Many are growing thanks to the dynamic competitive market. The universal service providers have much lower market shares in the parcel segment than in the letter segment, with an average around 28 percent for the period 2014 to 2018³¹⁴. The dynamics of the letter segment is very different.

End-to-end competition occurs where letters are collected, processed and delivered directly to the recipient in direct competition with the incumbent operator without the necessity to use the incumbent's network. Some end-to-end competition in relation to letter mail developed in the Member States that opened up their reserved area early, before the date mandated by the Directive in 2011/2013, such as Germany, Spain, the Netherlands, and Sweden and in several Member States where express and courier operators were able to offer better quality letter products than the incumbent, such as in Croatia, Poland and Romania.³¹⁵

Furthermore, access competition, whereby alternative operators collect postal items from senders and insert it in the universal service provider's network for delivery, has been established in various forms by national regulations in 18 Member States. Access competition is the only form of competition in the letter mail markets of France and Slovenia, while in

³¹³ The only profitable mail services were offered by postal administrations in the Netherlands and the United Kingdom. See EC (1992), Green Paper on the Development of the Single Market for Postal Services, p. 115.

³¹⁴ European Regulators Group for Postal Services PL II (19) 37.

³¹⁵ WIK (2021), p.35.

Germany, the Netherlands, Spain and, to some extent, in Belgium there is both access competition and end-to-end competition.³¹⁶

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 percent (end-to-end and/or access competition)³¹⁷. 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.

Universal service provider profitability on postal services

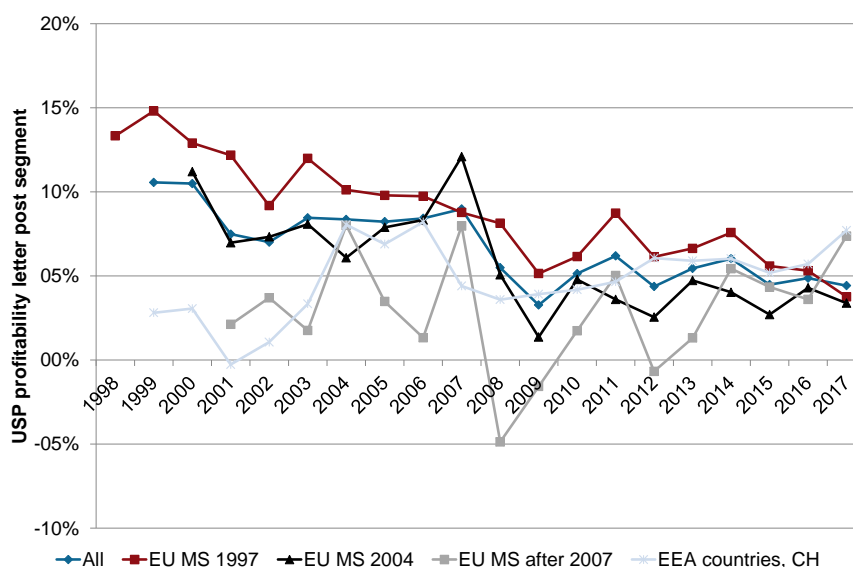
In the recent past, the vast majority of universal service providers has managed to be profitable in their mail operations. With few exceptions, universal service providers report positive EBIT (Earnings before interest and taxes) margins up to 5 percent, some even higher than 10 percent (e.g. Belgium, the Netherlands, Portugal, Cyprus). There was only one universal service provider (Bulgaria Post) that reported negative EBIT margins between 2013 and 2016, and a few others were unprofitable in one or two years during that period. Although some universal service providers have asked for, and received, additional funding for the provision of universal services, the primary source of funding stems from postal revenues. Only six universal service providers (from Bulgaria, Denmark, Spain, Ireland, Italy and Poland) had a negative EBIT margin (profitability) in their mail and parcel business³¹⁸ in 2016. So overall, universal service providers 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.

³¹⁶ See European Regulators Group for Postal Services (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 Member States.

³¹⁷ See European Regulators Group for Postal Services 13 (38) Rev.1, Report on end-to-end competition and access in European postal markets, p. 4 for an overview, and Copenhagen Economics (2018) for more recent market shares in those countries.

³¹⁸ WIK (2021). Based on segment reporting of the universal service providers. In the case where universal service providers do not publish segment reporting, the profitability relates to the overall EBIT margin. This is reasonable as universal service providers without segment reporting usually do not have much business outside postal markets.

Figure 22 Average universal service provider profitability in mail operations, by country group



In fully competitive markets, inefficient providers would normally be forced to leave the market. In practice, postal markets do not always follow this logic. For competitors, survival is not (only) a question of efficiency. They face market dominant operators which usually have much higher bargaining power, and may have sufficient financial means to set strategic prices (for non-universal services). In the long run, very few competitors appear able to cope with this double strain.

Universal service provider profitability, all activities

Across the Member States operating results of universal service providers increased on average by 353% in the first period after liberalisation (1997 until 2007). This improvement is widespread and can be observed in 24 out of 28 Member States.

In the second period from 2007 until 2018, although the operating income increased on average by 2%, profits decreased or turned into losses in more than half of the countries (16 out of 28). The universal service providers of Germany and United Kingdom, with strong positions in the parcel market, improved their operating profits. In fast digitalising countries (Denmark, Finland, the Netherlands, Sweden) the fast decline in letter mail volumes is weighing on the operating result, and caused a deterioration by 71% up to 159%.

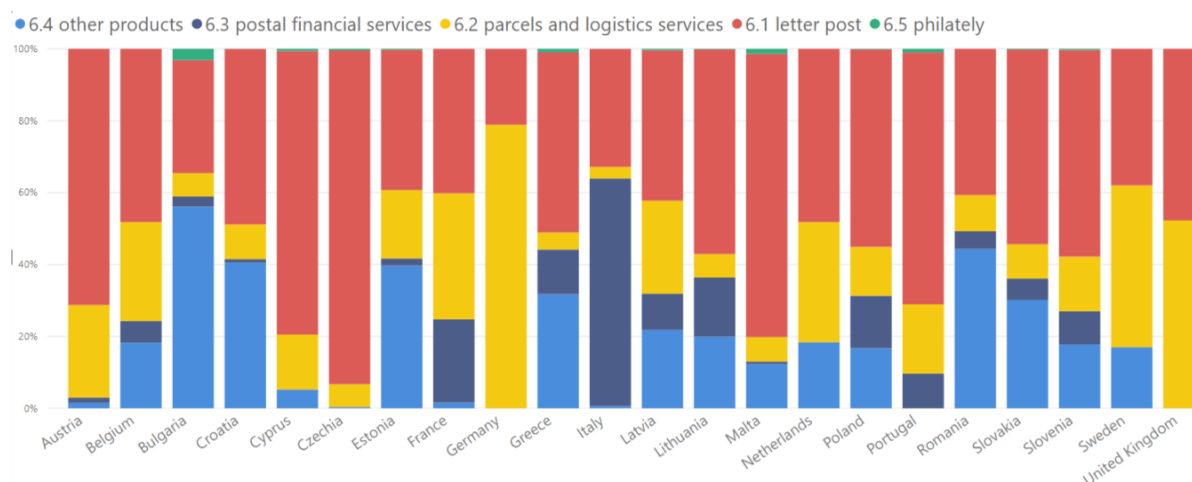
Table 18 Operating profit/loss of universal service providers, all activities, in mio Special Drawing Rights³¹⁹

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	% diff. 1997-2007 or *	% diff. 2007-2018 or*
AT	159			-63	16	9	40	76	86	107	151	152	133	134	151	168	172	165	69	170	170	176	-5%	17%
BE	-7	91	-16		17	-31	-34	63	91										367	388	404	322	108%	253%
BG	-1	-2	-2	0	1			4	4	5	5	2	-2	1	-3	-4	-8	-7	-7	-8	-8	-1	541%	-117%
HR	-30	-22	-6	-16	7	10	-2	-22	-5	-5	-13	-27	20	4	5	-1	7	14	19	14	18	13	55%	195%
CY			5	5	7	6	7	7	5	6	8	7	4	6	3	0	4	4	3	3	3	4	61%	-52%
CZ	-2	86	217	-4	14	9	23	14	24	9	25	25	19	7	12	9	9	6	8	562	615	-8	1718%	-131%
DK					115	146	177	214	174	125	180	177	93		90	58	35	21	9	-50	-79	-107	57%	-159%
EE	0	-8	0	0	1	2	2	2	2	-1	-2	1	1	6	1	3	3	2	2	8	0	1	-859%	156%
FI		41	46	56		43	63	83	111	78	95	62	43	33	-5	34	9	5	44	24	-23	5	134%	-95%
FR	-276	-470	-82	-147	97	-28	120	459	623	831	1197	800	696	676	564	700	689	603	686	766	843	743	533%	-38%
DE		-14		-1448	1790	1867	2529	2936	3099	3390	1987	-512	212	1582	2052	427	806	791	12	2724	3116	2592	14726%	30%
EL	-74	-45	1	5	6	46	18	13	6	4	6	-2	-38	6	6	2	-5	4			1		108%	-92%
HU	-13	-8		-27	-14	-23	11	15	22	21	20	27	19	11	7	-7	60	59	57	47	12	-2	253%	-110%
IE	-8	-14	-22	-39	-5	-13	-36	2	13	13	27	28	5	5	2	-15	-10	5	4				438%	-85%
IT		-993	-651	-323	122	205	372	587	682	1045	1474	1115	1123	1252	1181	816	821	319	483	489	650	638	248%	-57%
LV			3	4	5	4	2	-1		-1	-16	-4			1	5	3	4		2	2	2	-676%	110%
LT	0	-1	0	0	1	1	2	1	0	-2	1	-8	-17	-3	0	0	3	1	1	1	2	4	241%	455%
LU	-12	-20	-24	-15				17	10	7	7	5											159%	
MT	1	0	0	1	0	0	3	3	2	0	2	3	3	3	3	2	2	3	3	3		3	26%	70%
NL	440	437	460	399	548	620	697	759	620	703	549	548	400	498	307	250	362	339	268	227	211	152	25%	-72%
PL		-12	-14	-8	5	7	33	28	58	32	21	-42	-44	3	19	9	4	6	-1	-13	-9		273%	-343%
PT	-2	-44	-31	-26	-8	-47	45	41	1	19	37	45	37	39	45	44	78	114	87	71	39	32	2573%	-15%
RO	13	11	9	26	3	2	-2	-1	9	7	6	-3		-26	-37	-12	-7	8	-4	4	5	9	-54%	58%
SK	-7	0	-8	1	6	3	3	10	14	14	10	6	6	-8	-5	-1	5	5	6	5	4	-3	228%	-127%
SI	-24	-26	-16	-14	0	4	8	8	17	24	18	19		15	17	8	2	6	7	7	6	5	176%	-73%
ES	-45	-32	-119	-143	15	119	123	166	168	151	80	73						239					277%	198%
SE									113	66	168	157	8	85	125	58	66	51	73	58	43	48	49%	-71%
UK	141	-112	-486	-375	-1317	-804	85	376	428		205	304	417	222	458	348	344	802	313	653	655	499	46%	143%
EU28	253	-1157	-735	-2150	1434	2156	4287	5860	6379	6648	6247	2958	3140	4551	5000	2900	3456	3567	2505	6157	6680	5125	S. avg 353%	S. avg 2%

Source: UPU statistics, *closest years available to this period

³¹⁹ The table is expressed in SDR, the rate of exchange applied to convert the financial data. To allow comparison of data between countries, all financial information in the UPU statistics are presented in Special Drawing Rights (SDR), the unit of account of the International Monetary Fund.

Figure 23 Sources of operating revenues, average for years 2016, 2017 and 2018



Source: Universal Postal Union statistics, 22 EU Member States

Universal service provider ownership

The majority of universal service providers remain publicly owned at least in part: PostNL, Malta Post and CTT Correios (Portugal) are the only wholly privately owned operators. The proportion of government ownership has however diminished since 2008 with several governments selling a partial stake or more in their national operator. Furthermore, in all Member States except Cyprus the universal service provider is organised as a corporation under normal corporate law or related governance arrangements for state-owned enterprises. Cyprus Post is a ministerial (government) department.

On the EU market, there are several 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.

Competition

The majority of Member States has not seen the development of substantial competition until today. As shown in the table below, market shares of universal service providers in the vast majority of the Member States have remained at very high levels. According to the European Regulators Group for Postal Services, the universal service providers generally maintain a high market share, in terms of volumes, for letters (in 2019 it was about 89 percent). The universal service provider market shares (in terms of volumes) regarding parcels are generally lower (around 28 percent).³²⁰

Table 19 Shares of universal service providers on the domestic letter market

	1998	2005	2012	2018	Sources
AT	98%	98%	99%	99%	WIK estimate
BE	100%	100%	99%	99%	WIK estimate

³²⁰ European Regulators Group for Postal Services PL II (19) 37.

DE	99%	92%	89%	84%	BNetzA, Marktbeobachtung, BNetzA Jahresberichte
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%	Universal Service Provider 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

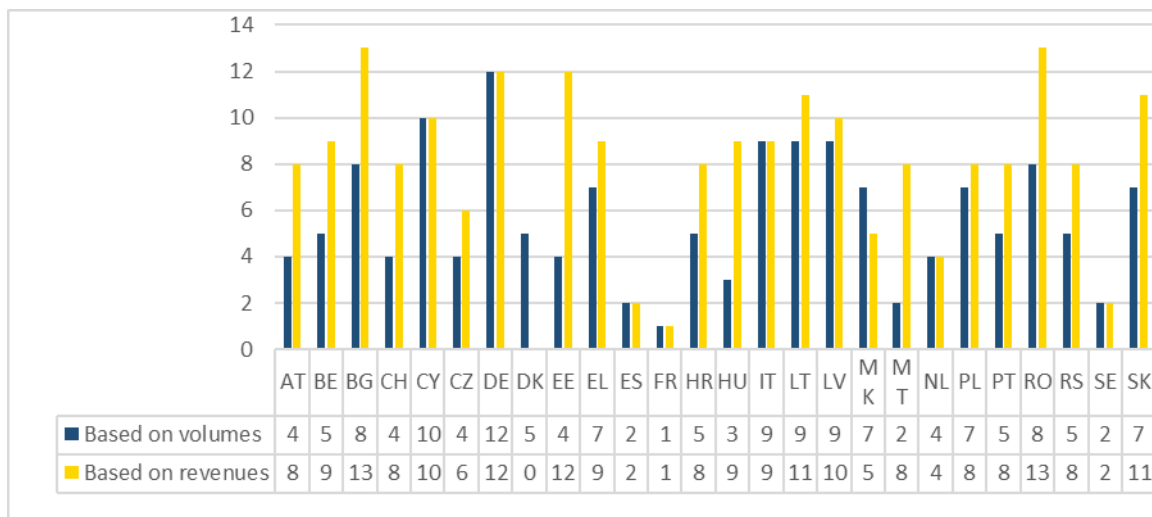
RO	98%	98%	79%	61%	calculated based on NRA, Postal Statistics, 2018: ERGP
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Source: WIK (2021)

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 universal service providers are high, such as Belgium (700), Germany (600), Greece (>500), or Italy (>3000).³²¹

As shown in the figure below, some countries, even if not having a very significant number of active providers, have a significant number of providers with more than 1 percent market share (e.g. Cyprus, with 20 providers and 10 with more than 1 percent market share).

Figure 24 Number of postal service providers with more than 1 percent of the postal market in 2019



Source: ERGP PL II (19) 37 Report on Core indicators of the postal sector

There have been some changes in the number of operators with more than 1 percent of market share in the period 2015-2019, but in the more recent period (2018-2019), in most of the countries who provide data there has been no major change, neither in terms of volumes nor in revenues.

The European Regulators Group for Postal Services' analysis on the level of concentration in the market shows very high concentration rates. The Herfindahl-Hirschman-Index is above 7 000 in terms of volume on average for all countries analysed by ERGP, and above 4 000 in terms of revenues (based on 2018 data).³²² 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 (3 300), Greece (4 500) and Estonia (4 700) in terms of volume. Highest values for the index can be found in France (9 700), Malta (9 000) and Belgium (8 700).

³²¹ European Regulators Group for Postal Services PL II (19) 37, p. 33.

³²² Ibid, p. 34.

End-to-end competition has developed mainly in those Member States that opened their markets earlier than others: Germany, Spain, Netherlands, and Sweden. In several Eastern European Member States, there is competition from courier services that deliver letters, e.g. in Bulgaria, Croatia, Slovakia, Poland, Romania. Access competition, i.e. competition from operators that collect postal items from senders and hand it over to the universal service provider 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.³²³ In the Netherlands, Spain and Germany, and also to some extent in Belgium, there is access competition in addition to end-to-end.

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, depending on 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 universal service providers still have quite high levels of market shares but are far from being market dominant. In many Eastern and Southern European Member States, universal service providers are not very successful in parcel delivery. Parcel markets with intensive competition can be found in Belgium, the Netherlands, Germany, the United Kingdom, and Austria.³²⁴

Competitors

Even in times of growing letter markets, competing postal operators have struggled to survive.³²⁵ In declining markets, becoming profitable is even harder when competitors have to fight against the market-dominant operators at the same time.

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. For instance, CityMail in Sweden, which started letter delivery operations in 1993 but was only profitable for the first time in 2004. Due to financial problems, the company was bought by Post Norway and renamed Bring CityMail. CityMail was then sold to a German investor (Cimase Capital Consult GmbH).³²⁶ Whistl in the UK, PIN in Germany, and Sandd in the Netherlands are other examples. Financial problems faced by these competitors have been the combined effect of volume declines and difficulties in winning market shares against a dominant operator.

³²³ WIK (2013) and Copenhagen Economics (2018). In UK, the only end-to-end competitor Whistl stopped its delivery activities in 2015. Today, Whistl is active in access services.

³²⁴ See WIK (2019).

³²⁵ 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). 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.

³²⁶ See CityMail (2019), Hållbarhetsredovisning.

In letter services, several national postal operators face competition on their domestic markets while acting as competitors in letter delivery abroad. Examples are PostNL (PostCon in Germany, Nexive in Italy), Deutsche Post (Selektmail in the Netherlands, Unipost in Spain) or Post Norway (Bring CityMail in Sweden). 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 are normally have both financial resources and knowledge on letter operations, it would be 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 divested their foreign mail operations in recent years.

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. 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).³²⁷ 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.³²⁸ 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.

The market for parcel and express services is characterised by the presence of international integrators like UPS, FedEx, and DHL which operate globally. In the 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.

Revenues

In 2018 the *letter post sector* accounted for a total of EUR 33 billion in revenues compared to EUR 36 billion in 2016. Germany, France and United Kingdom together generate two thirds of this revenue.

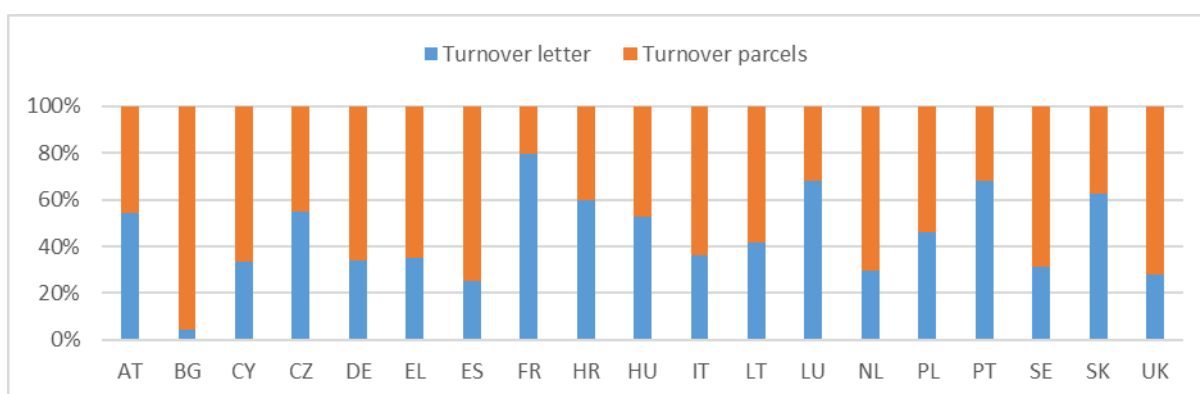
³²⁷ Parkiet (2015), InPost przejmuje PGP, published 2.1.2015, <https://www.parkiet.com/Spolki/301029983-InPost-przejmuje-PGP.html>; Post&Parcel (2015), Polish Post grants rivals InPost access to rural mailboxes, published 29.4.2015, <https://postandparcel.info/64752/news/polish-post-grants-rivals-inpost-access-to-rural-mailboxes/>; InPost (2016), Integer.pl Group results inQ2 2016, p. 12.

³²⁸ 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>.

On average revenues declined only by 3.3 percent annually in the period 2016-2018, whereas the decline in volumes was more substantial. An effective strategy for postal operators has been to compensate revenue loss from volume decline by increasing the price for letters.

The *parcel delivery segment* has seen increasing revenues because volumes have been increasing. Postal providers in the EU generated EUR 50 billion in revenues from parcel delivery services in 2018. This represents an average 60 percent of total postal revenues in the EU28³²⁹. In fourteen Member States parcel delivery services contributed to more than 50 percent of their postal revenues.

Figure 25 Share of turnover from letters and parcels, 2018



Source: EC postal statistics

The share of universal service parcels in total turnover of parcels is on average 17 percent in the European Union, but the percentages vary significantly between the Member States.

1.6 Employment

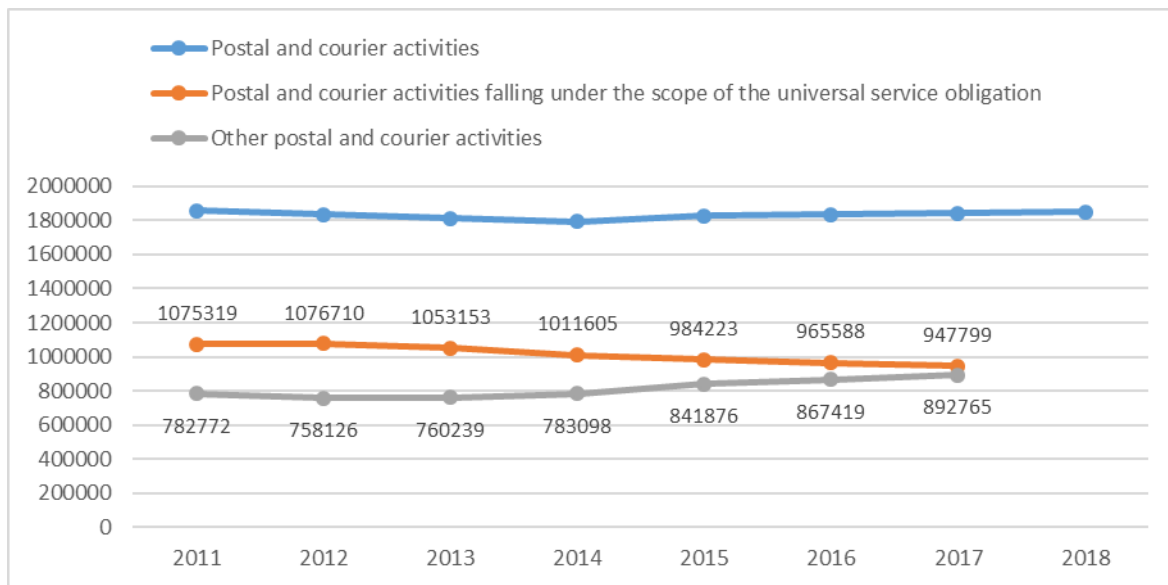
In the past decade, employment in the postal sector has been influenced by two main market developments: letter volumes decline and parcel volumes growth.³³⁰ The postal sector is very labour-intensive and with rising labour costs across Europe significant restructuring (including job losses but also job creation) has taken place in several Member States. According to the latest available data by Eurostat, the total employment related to activities falling under the universal service obligation has been decreasing since 2011, while the number of persons employed for other postal and courier activities has been increasing, in particular since 2014.³³¹ The Eurostat data suggests that the total number of persons employed in other postal and courier activities is almost equal to the total number of persons employed for postal universal service activities (see figure 26). The job creation for parcel activities at other operators seems to compensate for the job losses at universal service providers.

³²⁹ Data for Romania, Latvia are not available

³³⁰ Copenhagen Economics (2018), p. 29.

³³¹ Eurostat (2021), annual detailed enterprise statistics for services

Figure 26 Persons employed in postal and courier activities



Source: Eurostat (2021), annual detailed enterprise statistics for services

Developments in technology, user needs, postal business models and increased competition in the parcel segment have also had an impact on working conditions. The main trends in postal sector employment are:³³²

- Increasing pressure on reducing expensive employment contracts at universal service providers, e.g. civil servants, which have been decreasing;
- Growing use of new employment patterns, especially at non-universal service providers, such as on-call work, temporary agency work, outsourcing, sub-contracted workers, and self-employment;
- More performance-related pay, e.g. pay based on the number of delivered mail items and parcels per day;
- Some Member States are also experiencing recruitment problems because of demographic changes (aging societies), lack of qualified drivers and lack of attractiveness of the sector.³³³

In countries where postal services employ a high share of civil servants, universal service providers and governments have been searching for solutions to meet two sometimes conflicting objectives: ensuring legacy social rights and obligations to civil servants and, providing universal service providers a level playing field in the dynamic postal and delivery market. Given these inherently conflicting objectives, legal and dispute actions on state compensation have occasionally arisen.³³⁴

³³² Copenhagen Economics (2018), p. 144-145.

³³³ WIK (2019), p. 309.

³³⁴ Copenhagen Economics (2018), p.147-148. For instance, Germany's state aid to Deutsche Post for legacy civil servants' pensions was first deemed illegal, but finally approved by the European Union General Court in 2016,

Subcontracting is a common practice especially in parcel delivery to respond to the need for flexibility.³³⁵ A key challenge for carriers consists of dealing with peak demand in e-commerce deliveries, which require more flexible employment arrangements, often based on minimum national wages and working standards. This has resulted in a two-tiered labour market consisting, in one part, of company or sectoral collective labour agreements and the other part of non-standard contractual arrangements.³³⁶ In some cases concerns have been raised related to precarious forms of employment in subcontracting chains.³³⁷ Problems may occur if subcontracting cascades are formed leading to unclear responsibilities between the parties involved.³³⁸ Labour regulations on subcontracting differ substantially among Member States, while sometimes also lacking in transparency.³³⁹ The Directive is however without prejudice to the competence of Member States to regulate employment conditions in the postal services sector, in accordance with national and EU law.³⁴⁰

1.7 Environment

Due to growing e-commerce and parcel volumes, in parallel with increasing expectations of online shoppers, managing negative environmental impacts has become more important in the past decade. In the 2008-2020 period, a majority of universal service providers in the EU undertook measures to limit the negative environmental impacts of postal service provision.³⁴¹ Most universal service providers set up environmental quantitative targets in road transport, which remains the most important mode of transport throughout Europe, especially in domestic postal services.³⁴² Some of the universal service providers also set sustainability requirements on their sub-contracted and outsourced activities, for example in procurement procedures.³⁴³ A majority of universal service providers were members of one or several industry networks established to share knowledge and improve environmental performance among postal operators, such as the Sustainability Measurement and Management System (SMMS) by International Post Corporation (IPC) and the Greenhouse Gas Reduction Programme, initiated by PostEurop.³⁴⁴ Key drivers behind universal service providers' green initiatives were cost benefits, corporate image, competitive differentiation and compliance with environmental regulation set out by national and local authorities. Non-universal service providers³⁴⁵ have also acted to reduce the environmental effects of parcel delivery, especially in last-mile deliveries, by improving fuel and network efficiency, and by introducing alternative vehicles and fuels. Major carriers set themselves quantitative goals, focusing on a decrease of CO₂ emissions and an increase of environmental friendly delivery vehicles.³⁴⁶

³³⁵ WIK (2019), p. 33.

³³⁶ WIK (2019), p. 33.

³³⁷ Eurofound, 2018, and WIK (2019), p. 323-324.

³³⁸ WIK (2019), p.324 and p.336.

³³⁹ WIK (2019), p. 33.

³⁴⁰ Postal Services Directive 2008/6/EC, Recital 53.

³⁴¹ Copenhagen Economics (2010); Copenhagen Economics (2018), and IPC 2019 Sustainability Report.

³⁴² Copenhagen Economics (2010); Copenhagen Economics (2018).

³⁴³ Copenhagen Economics (2018).

³⁴⁴ Copenhagen Economics (2018); IPC; PostEurop.

³⁴⁵ These include courier, express and parcel services providers.

³⁴⁶ WIK (2019), p.349.

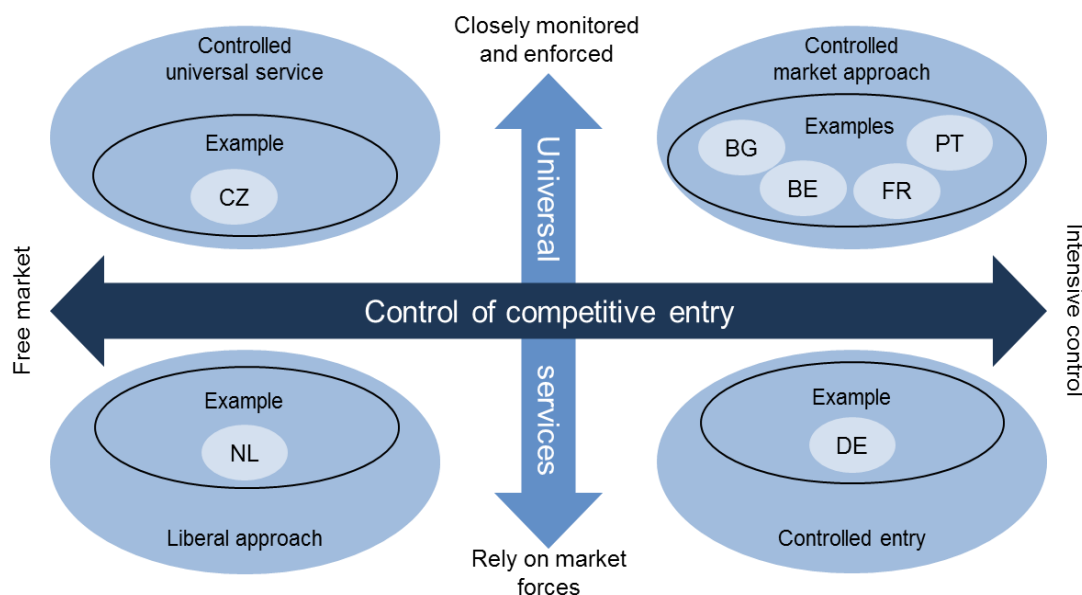
The 2019 Postal Sector Sustainability Report³⁴⁷ by the International Post Corporation concludes that carbon efficiency of letter mail delivery has decreased over the last seven years, albeit unevenly, while the CO₂ efficiency for parcels has increased. Given the fact that most of the reporting operators are EU universal service providers, this may be related to the compulsory minimum delivery frequency of 5 days a week, which, with fewer letter mail items to deliver, may result in inefficiencies, both in terms of cost and CO₂ emissions. This is a preliminary assumption that may need further research.

2. APPLICATION OF THE DIRECTIVE

2.1 Transposition of the Directive

Member States have transposed the Directive using different approaches and assuming different positions on the two major axes illustrated in the chart below, that of competitiveness and that of universal services.

Figure 27 National approaches to implementing the Postal Services Directive



Source: WIK (2021)

For example, some Member States ensure universal service provision using a “controlled market approach” which is characterised by both close monitoring of the universal service and strong control of competitive entry. Typically these Member States did not open their letter markets before the deadlines in the Directive. Individual licensing are more common or required for a wider range of universal services than in other approaches. Another approach is the “controlled entry approach”. 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

³⁴⁷ <https://www.ipc.be/news-portal/sustainability/2020/11/25/09/45/ipc-publishes-first-online-sustainability-report>

within the scope of universal services which is quite broad. Quality of service targets are defined for selected universal services only. A third approach is the so-called “controlled universal service” and is characterised by rather strict controls of universal service but a light-handed approach at controlling competitors. Finally there is a “liberal approach” where instead of regulating universal service provision the obligations of the universal service provider arise from its significant market power. This approach leaves some flexibility to the universal service provider to set prices but at the same time sets a network access obligation.³⁴⁸

2.2 The Universal Service

The universal service is one of the key elements of the regulatory framework. All users – senders and addressees alike – must be able to enjoy the right of reliable and affordable postal services at all points of the territory of EU Member States. Article 3 is based on a minimum harmonisation principle. Consequently, Member States must ensure a universal service that provides for the collection, sorting, transport, and distribution at least five working days per week of (i) postal items weighing up to 2 kilograms and (ii) postal packages up to 10 kilograms,³⁴⁹ as well as services for registered items and insured items in both categories. The universal service covers both national and cross-border services (Article 3, paragraph 7).

A number of postal services are not part of the universal service, even where they are provided by the universal service provider. These services are notably express services, but they may also be the delivery of newspapers/periodicals. There are substantial differences in the scope of universal services among Member States, particularly as regards bulk letters, bulk parcels and other items.

2.2.1 Scope

The scope of the universal service remains varied in Member States. Single piece letters and parcel services are ensured in all Member States, a number of Member States have chosen to include bulk mail in the universal service.

Table 20 Scope of universal services 2018

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)

There is a tendency to reduce services provided as universal services and since 2014 the following Member States have excluded bulk mail from the scope of the universal service:

³⁴⁸ WIK (2021), p.175-6

³⁴⁹ National Regulatory Authorities may increase the weight limit of universal service coverage for postal parcels to any weight not exceeding 20kg.

EL, HR, LV, LU, RO and SI. Furthermore, a number of frequently used postal services are not part of the universal service, even where they are provided by the universal service provider. Such services include for example value-added services that are in particular provided for business senders (e.g. small e-commerce goods for e-retailers) like track and trace or delivery within a specified time window (e.g. bulk services with different levels of pre-sorting). Non-universal service features have been added to some universal services: This concerns for instance universal service parcels which in 19 Member States³⁵⁰ include tracking while this is not required by the Directive (and national legislation).

2.2.2 Designation

Member States must ensure the provision of the universal service by using one or more of the following three mechanisms: market forces; the designation of one or more undertakings to provide different elements of the universal service or to cover different parts of the territory; or the public procurement of universal services (Article 4, paragraph 2). They are to determine the "most efficient and appropriate" mechanism while respecting in particular "the principles of objectivity, transparency, non-discrimination and proportionality", thereby guaranteeing the continuity of the universal service.

Despite more options given by Directive 2008/6/EC all Member States still designate a single universal service provider, with the exception of Germany³⁵¹, which in principle relies on market forces for the provision of the universal service. The universal service provider is in all cases the historical public postal operator or its corporate successor.

2.2.3 Financing the Universal Service Obligation (and Sustainability)

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 entails a net cost and is an unfair financial burden on the universal service provider as laid down in Article 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 universal service provider 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 the universal service obligation among several providers, but only four have in

³⁵⁰ WIK (2019), p. 54.

³⁵¹ Even in Germany Deutsche Post has an obligation if she wants to not provide anymore universal services in a part of the territory or for parts of the service to inform the national regulatory authority in advance. After a procurement procedure direct designation is possible.

fact established and activated a fund: Denmark, Estonia, Poland, and Slovakia.³⁵² Typically, providers of postal services within the scope of universal service, including the universal service provider, 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 2018.³⁵³ In Estonia as well as in other Member States, the universal service provider 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 regulatory authority, AGCOM (supported by Poste Italiane and the Ministry of Economic Affairs), went through national courts before the case was brought before the Court of Justice of the European Union.³⁵⁴ Although the final ruling of the Court confirmed express operators would need to contribute to the compensation fund (in as far as their services display sufficient inter-changeability with universal services), 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.³⁵⁵

WIK (2021) signalled an economic argument against compensation funds as a means to finance the universal service obligation. When there is a net cost of the universal service obligation, this is often driven by volume declines, but the efficiency and commercial flexibility of the universal service provider also play a role. Its ability to develop a market, offer value-added postal services which may not be substituted as easily as bills and invoices, and be successful in e-commerce delivery are also important factors. A universal service provider 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 universal service provider 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 universal service provider 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 a universal service provider 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.

³⁵² WIK (2019), p. 60.

³⁵³ Estonian Competition Authority (2018), Overview of the Estonian postal market and future developments, presentation at WIK Königswinter Postal Seminar, 6 February 2018.

³⁵⁴ Court of Justice of the European Union (2018), Decision of 31 May 2018, joint cases C-259/16 and C-260/16.

³⁵⁵ AGCOM (2016), Delibera N. 166/16/CONS, Allegato B; AGCOM (2017), Delibera 298/17/Cons

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 Directive since 2008. 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.

2.2.4 Access to postal services

Article 3(2) of the Postal Services Directive established the universal access to the postal network: ‘Member States shall take steps to ensure that the density of the post offices and of the access points³⁵⁶ takes account of the needs of users’. This gave flexibility to the Member States to define more detailed requirements regarding the density and structure of the postal network. The majority of Member States use this flexibility today and require that their universal service providers maintain a certain number of postal access points per number of inhabitants or other criteria³⁵⁷.

Postal Network

As recently as 2019, the situation of the postal offices operated by the universal service provider still varied significantly across member States. Cyprus stood out with 12.65 post offices for every ten thousand inhabitants. Belgium and the Netherlands had the least dense postal network with 1.19 and 1.89 post offices for every ten thousand inhabitants in 2019.³⁵⁸ Between 2013 and 2016 the density of the postal office network declined in 23 of the 32 countries surveyed by Copenhagen Economics. Of these 23 countries, France was the only country that experienced a decline in density because the population was growing faster than new post offices were being open. In the remaining 22 countries, the reduced density of the post office was caused by closure of post offices³⁵⁹. On the other hand, between 2014 and 2018, some countries reported an increase in their postal networks: Denmark by 14.1 percent, Sweden by 13.5 percent and Malta by 12.7 percent³⁶⁰ and the latest ERGP report indicates an overall increase of 16.2 percent between 2015 and 2019 in the total number of postal establishments owned by universal service providers and other operators. In the countries surveyed by the European Regulators Group for Postal Services³⁶¹ the postal outlets owned by the universal service providers decreased by -3.4 percent from 2015 to 2019 while those of other postal operators increased by 44.3 percent³⁶².

³⁵⁶ Access points – physical facilities, including letter boxes provided for the public either on the public highway or at the premises of the postal service provider(s), where postal items may be deposited with the postal network by senders;

³⁵⁷ European Regulators Group for Postal Services PL II (19) 35, pp.32-33

³⁵⁸ European Regulators Group for Postal Services PL II (20) 23, p.66

³⁵⁹ Copenhagen Economics (2018), p.196

³⁶⁰ European Regulators Group for Postal Services PL II (19) 37, p.63

³⁶¹ Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Luxembourg, Lithuania, Latvia, North Macedonia, Malta, Norway, the Netherlands, Poland, Portugal, Romania, Serbia, Sweden, Slovenia, Slovakia, Spain and Switzerland

³⁶² European Regulators Group for Postal Services PL II (20) 23, p.60

An interesting development is that most universal service providers are outsourcing the operation of points of contact in order to lower their operating costs. In 2016, only universal service providers in Spain, Cyprus, Croatia, Italy, Romania, Bulgaria, and Lithuania were operating the totality of the postal outlets in their country. In Norway, Finland and Sweden, the universal service provider operated only two, three and four percent of all postal outlets respectively. The remaining 98 percent of postal outlets were operated by others on behalf of the universal service provider. Other providers operated at least half of the postal outlets for the universal service provider in Austria, Belgium, Estonia, Finland, Germany, Norway, Portugal and Sweden³⁶³.

Letter boxes

Between 2015 and 2019 the number of letter boxes decreased by an overall -4.4 percent in the countries surveyed by the European Regulators Group for Postal Services. In 2019, the universal service providers owned 97.2 percent of the total of over half a million letter boxes³⁶⁴. The number of letter boxes varied greatly from country to country, with France and the United Kingdom accounting for 65 percent of the total number of letterboxes in the examined countries in 2018. There were slight increases in Portugal (1.9 percent), Latvia (0.4 percent) and Ireland (0.3 percent), while the most important decreases were reported by Poland (-45.6 percent), Estonia (-33.6 percent), Slovenia (-28 percent) and Slovakia (-16.1 percent)³⁶⁵.

Parcel lockers

Following the development of the e-commerce and the increasing importance of parcel delivery, the postal operators added parcel lockers³⁶⁶ to the composition of their networks. The European Regulators Group for Postal Services has started to collect data and report about parcel lockers in 2016. Not all states were able to provide data about parcel lockers, but the countries that reported have had a significant increase in parcel lockers for both the universal service providers and other operators. Significant advances in 2019 were noted for the non-universal service providers of Germany (6.516 percent), Spain (389 percent) and Romania (296 percent). The greatest number of parcel lockers newly installed by the universal service provider was reported by the Netherlands with an increase of 83 percent from 63 to 115 in 2019. The numbers differ significantly between reporting countries³⁶⁷.

2.2.5 Frequency of collections and deliveries

Article 3(3) of the Postal Services Directive set the minimum frequency of collections and deliveries of postal items within the scope of the universal service to five working days a week, save in circumstances or geographical conditions deemed exceptional. Delivery has to be to the home or premises of every citizen or business. Exemptions are only possible when approved by the national regulatory authority.

³⁶³ Copenhagen Economics (2018), pp.197-198

³⁶⁴ European Regulators Group for Postal Services PL II (20) 23, p.67

³⁶⁵ European Regulators Group for Postal Services PL II (19) 37, pp.70-72

³⁶⁶ automated installations where people can receive or send parcels or other postal items

³⁶⁷ European Regulators Group for Postal Services PL II (20) 23, pp.71-72

According to WIK (2021)³⁶⁸, before 1997, delivery was done once a day every day, for both letters and parcels and only six states had exceptions from the rule to deliver at the door. The Postal Services Directive merely encoded in legislation what was common practice in EU15 before its adoption. Unsurprisingly, all Member States complied and some even exceeded the requirements of the Directive, ensuring at least one collection and delivery per day for six days a week³⁶⁹. Yet, the Member States exceeding the requirements diminished over time, from eleven Member States requiring six-day a week collection and delivery in 2004 to only three that exceeded the minimum required frequency and had a six-day collection/delivery in 2019 (i.e., France, Germany and Malta), plus Bulgaria with at least two collections and deliveries per day, but this concerns only the capital³⁷⁰.

Regarding delivery to the door, in 2019, the regulatory bodies of 11 Member States (Austria, the Czech Republic, Denmark, Germany, Hungary, Luxembourg, the Netherlands, Romania, Slovakia, Slovenia and Sweden) had identified exceptional circumstances allowing the universal service providers to perform delivery under special conditions³⁷¹. This coincided with the increasing installation of parcel lockers in retail outlets, which have been adopted as an alternative to home delivery of parcels.

The increasing size of exceptions in terms of population concerned and the diminishing number of days for collection and delivery came in response to a series of developments, including changing user needs, digitisation and declining mail volumes³⁷². As volumes decreased, it has become more expensive for operators to deliver letters, pushing up the cost of the universal service obligation. Some Member States started to contemplate or even adopted measures challenging the provisions of the Directive, taking into account Article 5, paragraph 1 fifth, indent, which states that the universal service obligation shall "*evolve in response to the technical, economic and social environment and to the needs of users*".

Denmark was the first country to reduce the frequency of delivery obligation for universal services below the 5 working days a week. It was followed by Italy, which introduced an alternate day delivery model for rural areas (inhabited by 23,2 percent of the population). The universal service provider of the Netherlands delivers letters from Tuesday to Saturday. In Finland, an amendment of the Postal Service Act now 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.³⁷³

These exemptions from the frequency of delivery obligation were granted to the universal service providers by either the government or the regulator in order to mitigate the impact of declining volumes. However, WIK (2021) notes that it is not clear whether such a flexible interpretation of the Postal Services Directive will be upheld by courts in the future. In 2018, a complaint from Italian municipalities was brought to the Court of Justice of the European Union, but it was withdrawn before the Court made a final decision on the matter. As long as

³⁶⁸ WIK (2021), p.155

³⁶⁹ Report from the Commission to the Council and the European Parliament on the application of the Postal Directive (Directive 97/67/EC as amended by Directive 2002/39/EC), SEC(2005) 388, p.12

³⁷⁰ European Regulators Group for Postal Services PL II (20) 22, p.26

³⁷¹ European Regulators Group for Postal Services PL II (20) 22, p.31

³⁷² WIK (2021), p.186

³⁷³ WIK (2021), p.155

there is no decision of the Court of Justice of the European Union 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 future³⁷⁴.

2.2.6 Quality of service: reliability, regularity, routing times

The title of the Postal Services Directive focuses on improving the quality of the postal service, along with the development of the internal market of postal services. The 1993 Guidelines³⁷⁵ declared the service quality as ‘inadequate’, as well as varying considerably from one Member State to another. This was the first of the ‘operational problems’ of the sector that required intervention. Therefore, increasing and levelling the performance of the different Member States’ universal service providers was a chief motive for the adoption of a common policy for postal services.

The quality of the domestic mail differed considerably from one Member State to another, in some countries 90 percent of letters arrived the day after posting, while in others the figure was as low as 15 or 16 percent. This was seen as ‘a real barrier to trade’ for those sectors that were particularly dependent on the postal services, like magazine and newspaper services, financial services, mail order and advertising. For cross-border mail, the average delivery time was four days, compared with between one and a half and two working days for domestic mail. The generally stated aim of a timeframe of three-day for the delivery of cross-border mail was in fact achieved in only 40 percent of cases. This difference in service quality emphasized borders and thus disrupted the single market, giving local firms an advantage over competitors from other Member States³⁷⁶.

The Postal Services Directive, by its Article 16, required quality of service standards focussing on routing times, regularity and reliability to be set and published in relation to the universal service. Performance according to these standards was to be subject to independent monitoring. Article 18 and Annex II set out targets for the intra-Community cross border letter mail services: 85% D+3. i.e. 85 percent of the intra-EU cross-border letters were to be delivered within three working days after the date of deposit and 97% D+5, i.e. to be delivered within five working days after deposit. For domestic post, Member States had the flexibility to determine their own standards, provided that they were compatible with those for intra-Community cross-border services set by the Directive.

Following the adoption of the Directive, the then 15 Member States reset their performance targets for domestic mail, some dropping from 100 percent to more realistic values (Spain and Luxembourg) and six of them raising to more ambitious levels. At present, all EEA Member States have defined transit time targets for priority mail, and even if they still present some variations, the average targets have been on a similar level since 2006 (between 80-95 percent), with the exception of the most recent Member States (Bulgaria, Croatia, Romania)³⁷⁷. Spain and Luxembourg do not have transit time targets for D+1, their targets for single-piece priority mail referring to D+3 (Spain) and D+2 (Luxembourg). Taking full advantage of the flexibility offered by the Directive, 17 Member States have defined

³⁷⁴ WIK (2021), p.186

³⁷⁵ COM(93) 247 final, pp.5-6

³⁷⁶ COM(93) 247 final, pp.5-6

³⁷⁷ WIK (2021), pp.26-27

regulatory targets for other mail categories like non-priority letters, 13 for registered items, six for bulk mail and two for newspapers³⁷⁸.

Table 21 EEA Transit time objectives for domestic single-piece priority letter mail

D+1	Number of countries
80 percent	3
>80 percent up to 85 percent	7
>85 percent up to 90 percent	4
>90 percent up to 95 percent	12
>95 percent	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 2018*, PL II (19) 35

In addition to the transit-time performance objectives, nine of the countries surveyed by the European Regulators Group for Postal Services had regulatory objectives regarding loss or substantial delay in 2018 (two more than in 2017). Four of these nine countries have regulatory objectives, but no measurement obligation, for loss or substantial delay. Four countries have regulatory objectives regarding queuing time in post offices (up by one compared to 2017). One of these countries has regulatory objectives but no measurement obligation for queuing time in post offices. Six states had regulatory objectives regarding loss or substantial delay. Only Malta and Portugal set regulatory objectives regarding the delivery time of newspapers and periodicals, whereas Denmark and France measured transit time for newspapers and periodicals without having regulatory objectives³⁷⁹.

Domestic mail

Establishing these performance targets, combined with the obligation to monitor, independently measure and publish the actual performance, has greatly improved domestic transit time performance after the adoption of the Directive³⁸⁰. Although departing from considerable differences, performance became more comparable and improved, most notably in the Member States that joined in 2004. The trend was still positive between 2010 and 2013 for the overall domestic transit time performance. At that time targets were exceeded for priority letters in most Member States and for non-priority mail in virtually all Member States³⁸¹. It was from 2014 that the trend was reversed and the transit time performance started to decrease in most of the countries, driven by the fall in volumes and need to ensure financial sustainability. Since 2013, the number of universal service providers that achieve their targets in the fastest standard category diminishes constantly (see Table 22).

³⁷⁸ WIK (2021), p.229

³⁷⁹ European Regulators Group for Postal Services PL II (19) 35, pp.23-24

³⁸⁰ WIK (2021), p.229

³⁸¹ COM(2015) 568 final, SWD(2015) 207 final, p.78

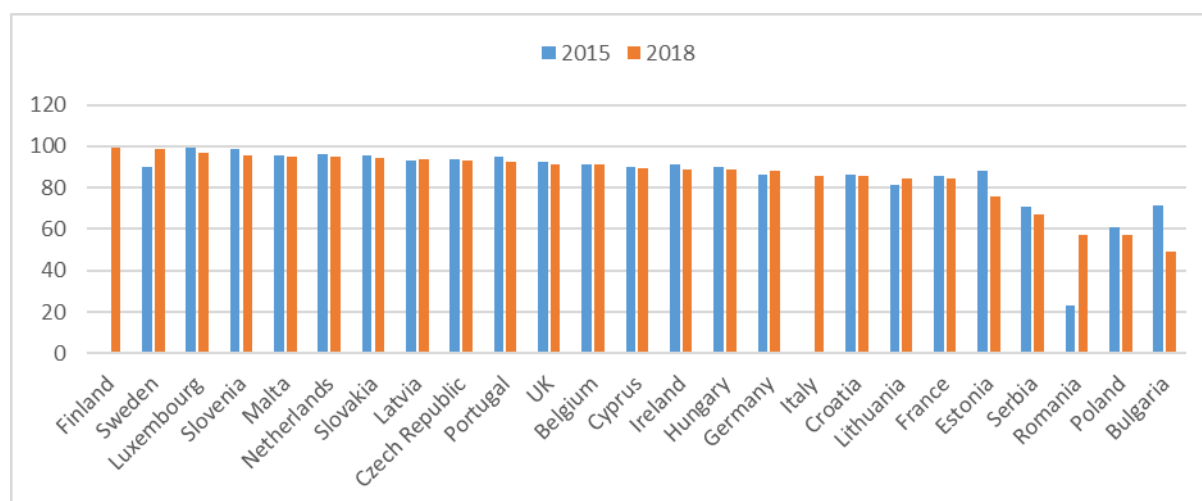
Table 22 Number of universal service providers that achieved domestic transit time targets (FSC)

	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

As letter post volumes decline, the average operational costs increases for the exploitation of the postal network and for maintaining quality standards such as transit time performances. Despite this challenge, transit time performance of D+1 domestic priority letters delivered on time remained quite stable between 2015-2018 in most countries. Universal service providers in the EU had transit time performance at around 85 per cent on average. Thirteen countries reached performance shares of at least 90 percent, seven above or equal to 85 percent, and five have performance varying between 49 percent and 76 percent.

Figure 28 Percentage of domestic priority letters delivered next day



Source: EC postal statistics, Spain applying D+3 for priority letters and Denmark D+5

In contrast, the international transit performance of D+3 has deteriorated in the period under review (see *Figure 29* below).

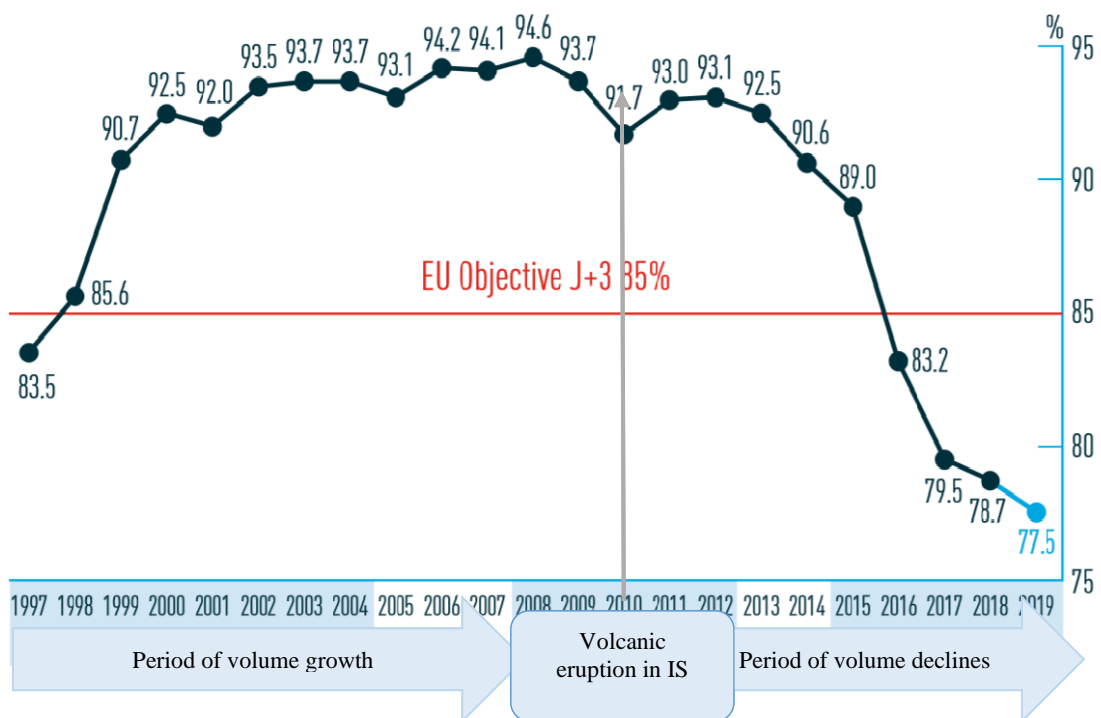
Cross-border mail

With as little as 30-40 percent of cross-border mail delivered in D+3 in some cases, the quality of cross-border delivery in the 1990s was indeed low, as the 1992 Green Paper rightfully pointed out. After the Postal Services Directive set minimal standards for the number of letters to be delivered in three and five days, cross-border mail quality of service

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 below).

The steady decline that followed coincided with a more abrupt fall in volumes caused by the financial crisis and the increasing pressure on operators to cut costs. Reductions in the delivery frequency also played a role in lower transit time performance since the financial crisis. As a consequence, in 2013, 92.5 percent of cross-border items were delivered within three working days, but only 82.3 percent in 2016 and 77.5 percent in 2019. This is not only the lowest performance since the start of measurement in 1997, but also well below the target of 85 percent specified by the Postal Services Directive³⁸².

Figure 29 D+3 performance development 1997-2019 for international mail

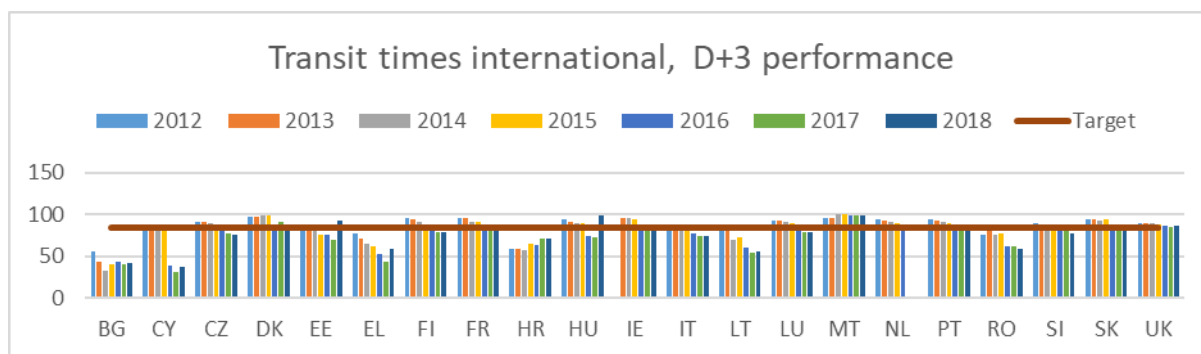


Source: based on WIK (2021), Copenhagen Economics (2018); IPC, UNEX CEN module 2019 results

These percentages are average and, as the chart below shows, in 2018 there were still universal service providers who upheld the standard (Denmark, Hungary, Malta, Slovakia,). Nevertheless, there were more who had fallen below the standard and the trend continues downward.

³⁸² WIK (2021), p.31

Figure 30 Transit time performance D+3



Source: EC postal statistics

2.2.7 Affordability – price regulation

The Directive leaves the interpretation of affordability at the discretion of Member States, as it does the other tariff principles established by Article 12: cost-orientation, transparency and non-discrimination. Most Member States have included the tariff principles in their national postal legislation and all apply some form of price control³⁸³ in order to ensure compliance. However, as shown in Table 23 below, the interpretation of the principles is varied. For instance, only five Member States have defined affordability and 16 cost orientation.

Table 23 Implementation of pricing principles, 2018

	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	15
Cost orientation not defined? / NA	AT, DE, DK, EE, EL, FI, HR, LV, LU, PL, SE, UK	12
Transparency		
Transparency defined?	BE, BG, CZ, DE, EE, EL, FI, FR, HR, HU, IE, IT, LV, LT, MT, PL, PT, RO, ES, SI, UK	21
Transparency: publish at website	CZ, EE, EL, FI, FR, HR, IE, IT, LV, LT, MT, RO, SI, UK	14
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

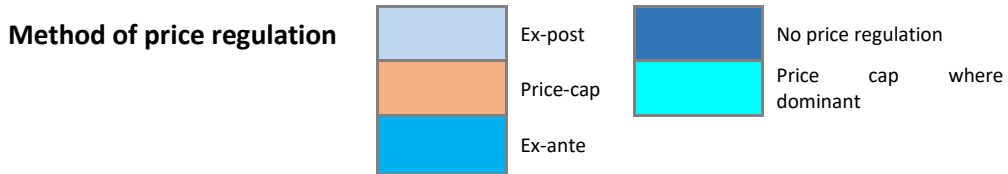
³⁸³ COM(2015)0568 final, p.17

Transparency: publish without formal requirements	HU, PL, PT	3
Transparency: NA	AT, CY, DK, LU, NL, SK, SE	7
Non-discrimination		
Non-discrimination defined at all?	BG, CZ, DE, EE, EL, FR, HR, HU, IE, IT, LV, LT, MT, PL, PT, RO, ES, SK, SI, SE, UK	21

Source: WIK (2021), Copenhagen Economics (2018)

The exact mechanisms for price control vary as well, ranging from ex-ante price approval by regulators and ex-ante price cap regulation to performing affordability tests. Similarly, tests for cost-orientation vary with respect to the type of accounting information delivered by the universal service provider (financial versus regulatory accounts) and the level at which cost-orientation is tested (individual product level versus basket of services level). Some countries do not employ formalised tests for cost orientation³⁸⁴.

Table 24 Method of price regulation



Country	Basic letter post	Bulk letters	Direct mail	Periodicals	Non-priority letter post	Parcel post	Bulk parcels
AT	Ex-post	Ex-post	Ex-post	Ex-post	Ex-post	Ex-post	Ex-post
BE	Price-cap	Ex-post	Ex-post	Other	Other	Price-cap	Ex-post
BG	Ex-ante	No price regulation	No price regulation	Ex-ante	Ex-ante	Ex-ante	No price regulation
CY	Ex-ante	Ex-ante	No price regulation	Ex-ante	Ex-ante	Ex-ante	Ex-ante
CZ	Ex-post	No price regulation	No price regulation	No price regulation	No price regulation	Ex-post	No price regulation
DE	Price cap where dominant	Ex-post	Ex-post	Ex-post	Ex-post	Ex-post	Ex-post
DK	Ex-ante	No price regulation	No price regulation	No price regulation	Ex-ante	No price regulation	No price regulation
EE	Price-cap	Ex-post	Other	Other	Price-cap	Price-cap	Ex-post
EL	Ex-ante	Ex-ante	Ex-ante	Ex-ante	Ex-ante	Ex-ante	Ex-ante
ES	Ex-post	Ex-post	No price regulation	No price regulation	Ex-post	Ex-post	Ex-post
FI	Ex-post	No price regulation	No price regulation	No price regulation	Ex-post	Ex-post	No price regulation
FR	Price-cap	Price-cap	Ex-post	Price-cap	Price-cap	Price-cap	No price regulation
HR	Price cap where dominant	No price regulation	No price regulation	No price regulation	Price cap where dominant	Ex-post	No price regulation
HU	Price-cap	Price-cap	No price regulation	Ex-post	Price-cap	No price regulation	No price regulation
IE	Ex-post	Ex-post	No price regulation	No price regulation	No price regulation	Ex-post	No price regulation
IT	Ex-ante	Ex-ante	No price regulation	Ex-ante	Ex-ante	Ex-ante	No price regulation
LT	Price-cap	No price regulation	No price regulation	Price-cap	Price-cap	Price-cap	No price regulation
LU	Ex-ante	Ex-post	Ex-post	Ex-post	Ex-post	Ex-post	Ex-post
LV	Ex-post	No price regulation	No price regulation	No price regulation	Ex-post	Ex-post	No price regulation

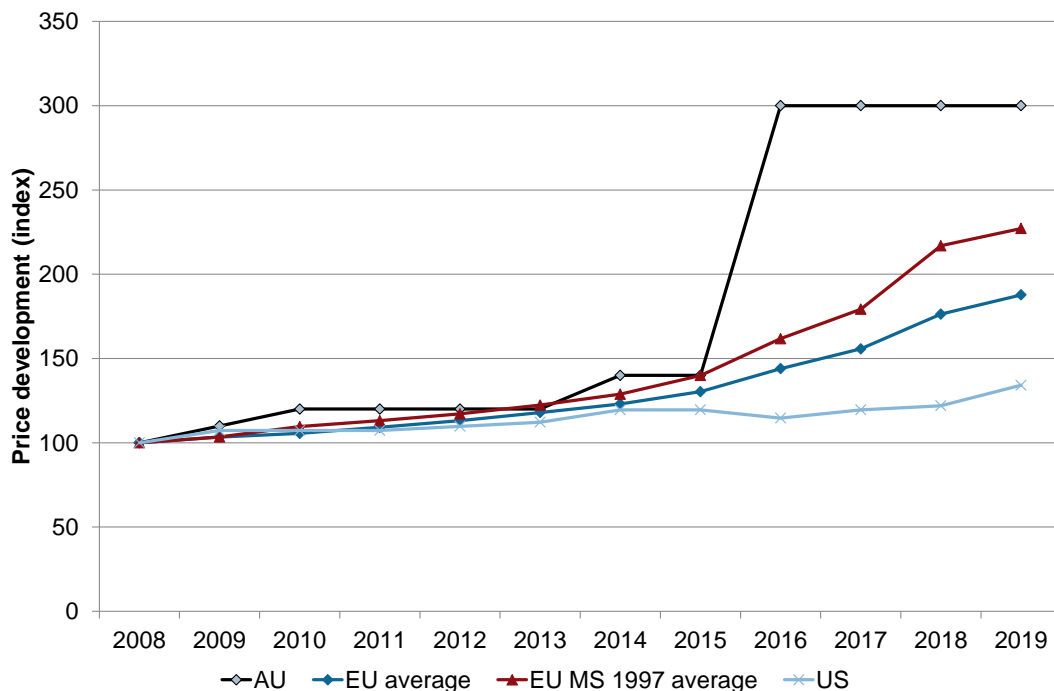
³⁸⁴ Copenhagen Economics (2018), p.207

MT							
NL							
PL							
PT							
RO							
SE							
SI							
SK		Other					Other
UK							

Source: Copenhagen Economics (2018)

The principle of cost orientation for universal service tariffs set in place by the Directive in Article 12 was established initially in the context of imminent liberalisation in order to limit price increases to the level indicated by costs, rather than the amount enabled by market power. Lately however, as a consequence of volume declines, average costs per unit are increasing and are driving prices beyond the scope of inflation, as it is evident from the chart below. This effect is more evident in the European countries with higher mail volumes (EU MS 1997 in the chart below) than the entire European Union and the tendency is also manifest in non-EU countries, as well, for instance Australia and the United States.

Figure 31 Price developments within the EU, Australia and the USA

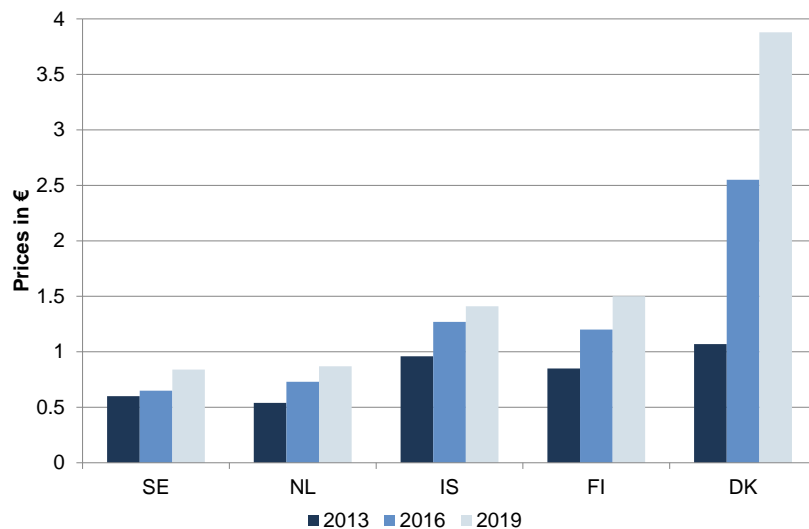


Source: WIK (2021) Australia Post price lists, universal service providers' price lists, WIK research

Where national regulators directly review and verify cost orientation (e.g. Belgium), price increases have in principle been restricted to cost increases. In the ten Member States where regulators apply price caps to limit price increases (Belgium, Croatia, Estonia, France, Germany, Hungary, Lithuania, Netherlands, Portugal, Sweden), price cap formulas include an efficiency factor. The existence of this factor is aimed at ensuring that efficiency gains are

achieved. As the efficiency factor limits (it is in principle a negative factor) the scope for price increases, operators that manage to enhance their efficiency beyond the scope of the efficiency factor may retain these efficiency gains. Regulators from the countries with some of the highest volume declines tend to relax the national price control mechanisms in order to keep the provision of services sustainable. In the last years, this has affected even the requirements for the scope of the universal service – e.g. frequency of delivery (Denmark, Iceland and the Netherlands) and/or the transit times (Finland and Sweden). However, the reductions in the quality requirements were not sufficient for the universal service providers to keep costs under control and the prices in these countries have increased as well, as indicated in the chart below.

Figure 32 Developments of public tariffs in selected countries (20g letter, fastest standard category)



Source: WIK (2021) Universal Service Providers price lists

For the case of Sweden, this is documented by the national regulator’s statement in its annual market survey. The Swedish price cap would allow an increase of 0.19 SEK (~EUR0.02) 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 service³⁸⁵.

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, even in the absence of effective competition in the letter markets. However, in some countries, price increases have been substantial: the current price for a domestic priority letter stamp in Italy is EUR 2.80, and DKK 29/EUR 3.88 in Denmark. 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, such as those without alternatives to letters, e.g. without internet access or with low digital skills. The number of users for whom strong price increases for letters are a problem will vary substantially between Member States but affordability can be a potential problem for certain

³⁸⁵ WIK (2021), pp.266-8

user groups. In this context, the implicit conflict between affordability and cost orientation will both become more relevant and evident³⁸⁶.

2.3 Protection of users - complaints resolution

Complaint resolution protection before the Directive was not measured or reported publicly, it was at the latitude of the operators. The 1992 Green paper notes that ‘how readily are enquiries or complaints answered’ is part of the quality of service and deplores the lack of common ‘standards for dealing with complaints³⁸⁷’ to ensure measurability. It also states that ‘regulatory bodies must ensure that there are clear procedures laid down for the resolution of disputes’.

The Postal Services Directive bridges this gap by its Article 19 which requires Member States to ensure that a transparent, simple and inexpensive procedure for dealing with complaints is made available by all postal operators, not only the universal service providers. Where warranted, a system of reimbursement and/or compensation is also required. Where not satisfied by the provider, the Directive mandates that users be able to bring cases in front of the competent authority, independently or together with consumer protection organisations or other organisations representing user interests. This was initially applicable only to universal service providers and then it was extended to all postal service providers by the third Directive (2008/6/EC).

The universal service provider, and where appropriate other operators providing services within the scope of the universal service area, are required to publish the number of complaints they receive and how they have been dealt with. Independent out-of-court schemes for dispute resolution are not an obligation, but are mentioned and encouraged.

In the application of these, all Member States have extended user protection obligation to all postal operators, and almost all Member States have appointed a competent national authority to review users’ complaints that have not been satisfactorily resolved by the universal service provider. This is frequently the postal regulator and sometimes an Ombudsman or dedicated consumer body. All Member States ensure that providers of postal services have a transparent, simple and inexpensive procedure for dealing with complaints from users, and most universal service providers have a system of compensation³⁸⁸.

In 21 countries universal service providers are obliged to measure and in 15 to also publish indicators on the complaints they receive (see Table 25 below). In eight countries there is no obligation to publish, but in some cases, like in Austria, there is the obligation to inform the NRA about the number of complaints received. In eight countries there is no obligation to publish, but in some cases, like in Austria, there is the obligation to inform the NRA about the number of complaints received.

³⁸⁶ WIK (2021), p.269

³⁸⁷ COM(91) 476 final, pp.186, 216

³⁸⁸ COM(2015) 568 final, SWD(2015) 207 final, p.79

Table 25 Universal service providers' complaint procedures

	Applied in (# of countries)	Applied in
Universal Service Providers 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
Universal Service Providers obliged to publish complaint statistics	15	CZ, EE, EL, FR, HR, IT, LV, MT, PL, PT, RO, SE, SI, SK, UK
Universal Service Providers 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

Complaint procedures are approved by regulators in only 18 out of 32 countries surveyed by the European Regulators Group for Postal Services in 2018. 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.

Only half of universal service providers are obliged to offer compensation schemes, and regulators in some countries lack sufficient enforcement tools to deal with shortcomings in quality performance (e.g. Germany)³⁸⁹.

The European Regulators Group for Postal Services, as well as the WIK 2021 study, point out a structural flaw in the Directive in this respect, namely that it 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. Because of this receiver rights are structurally neglected by many operators, and often receivers do not have the option to complain at all³⁹⁰.

Between 2013 and 2016 an increase in user complaints was experienced, especially in Eastern European countries, primarily Bulgaria and Poland. Complaints related to both universal service and non-universal service products. The main driver behind the increase in user complaints was considered to be the rapid growth of e-commerce parcel volumes³⁹¹.

Between 2017 and 2019, the data collected by the European Regulators Group for Postal Services³⁹² did not confirm a common EU trend regarding complaints. The number of complaints received by the universal service providers about universal services ranged in 2019 from 14.46 per one thousand inhabitants in France to 0.35 in Cyprus. The European Regulators Group for Postal Services analysed geographic clusters and concluded that the overall complaints rate remains higher in Western countries and lower in Eastern and Southern countries.

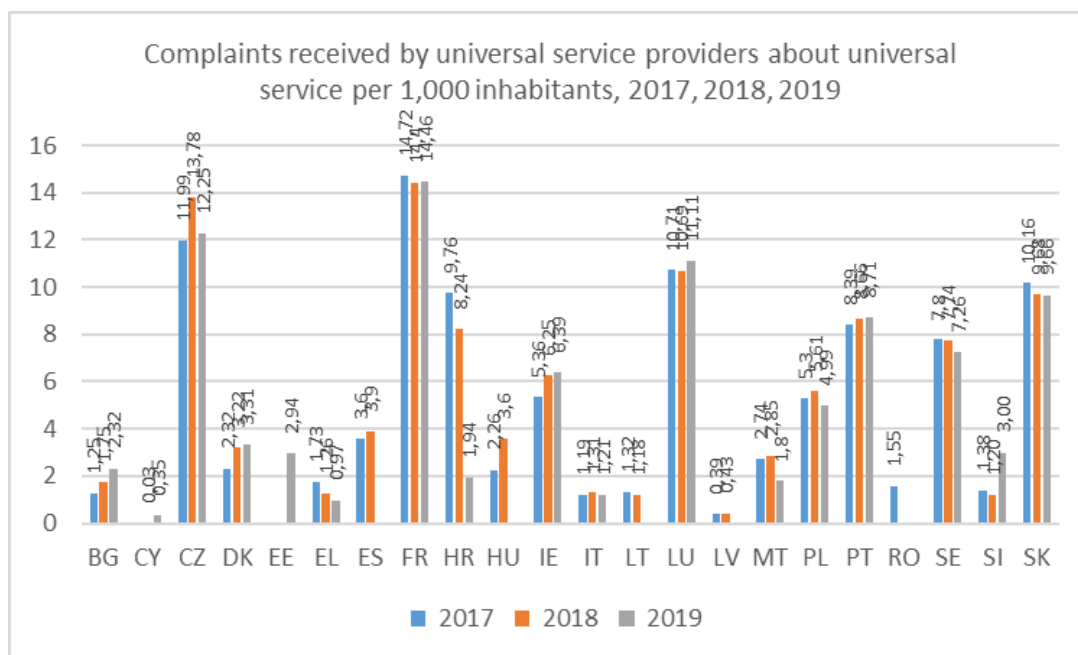
³⁸⁹ WIK (2021), pp.244-246

³⁹⁰ WIK (2021), p.244

³⁹¹ Copenhagen Economics (2018), p. 66.

³⁹² European Regulators Group for Postal Services (2020) PL II (20) 22, pp.57-59

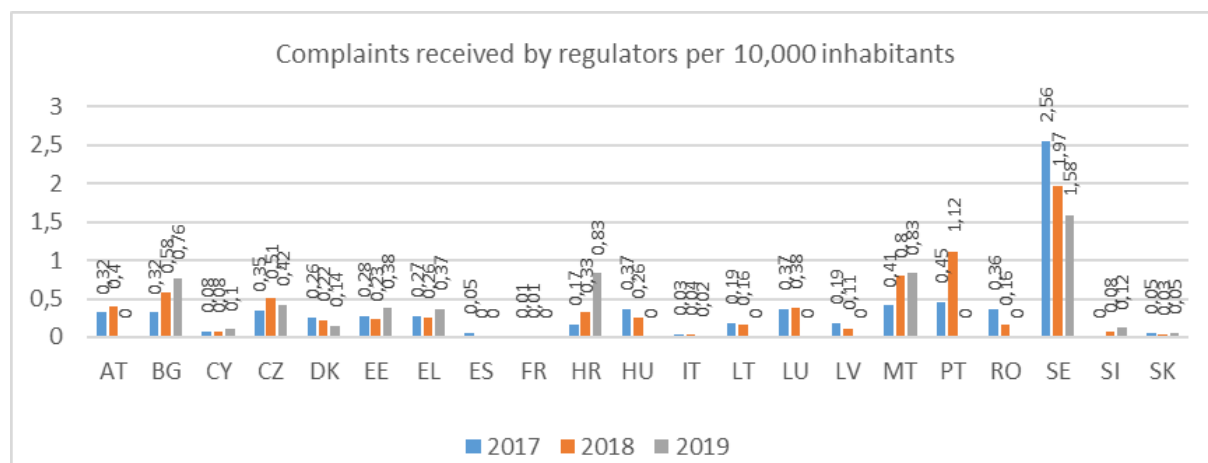
Figure 33 Complaints received by universal service providers per 1,000 inhabitants, 2017-2019



Source: ERGP (2020) PL II (20) 22, *Report on quality of service, consumer protection and complaint handling*

In what concerns the number of complaints received by regulators, as indicated in Figure 34 below, the rate per ten thousand inhabitants ranged from 1.58 in Sweden to 0.00 in France and no consistent trend could be discerned from the data reported by the regulators.

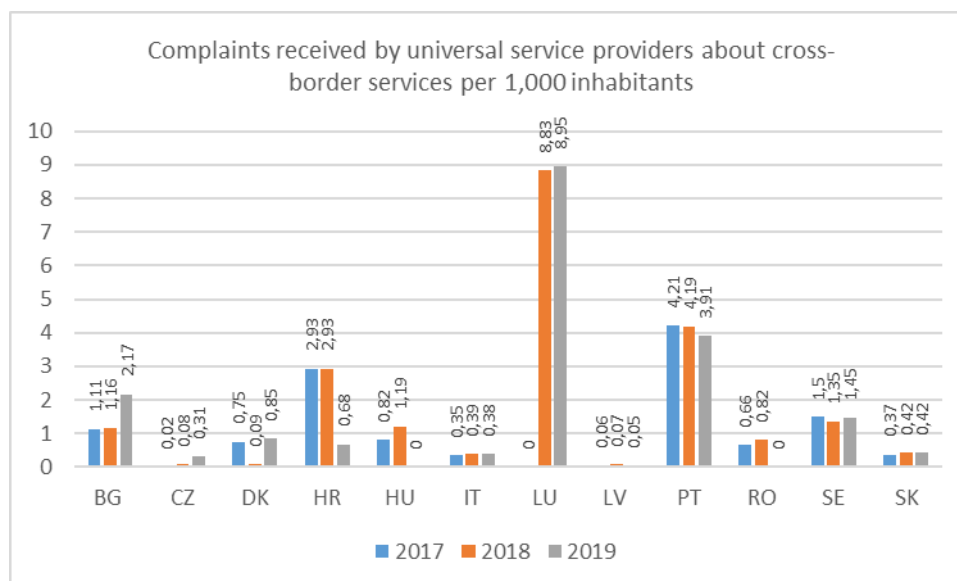
Figure 34 Complaints received by regulators per 10,000 inhabitants, 2017-2019



Source: ERGP (2020) PL II (20) 22, *Report on quality of service, consumer protection and complaint handling*

The complaints lodged with the universal service providers (see Figure 35 below) regarding cross-border services referred mainly to items lost, damaged or substantially delayed.

Figure 35 Complaints received by universal service providers about cross-border services, 2017-2019



Source: ERGP (2020) PL II (20) 22, *Report on quality of service, consumer protection and complaint handling*

However, as shown above, there are significant differences among Member States regarding the definition of complaints, the data collection methods and the national regulatory frameworks and practices.

2.4 Level Playing Field and Competition

Article 11a of the Postal Services Directive, requires Member States to give all postal operators access to “elements of **postal infrastructure**” — facilities and information resources used in providing postal services — whenever necessary to protect the interest of users and/or to promote effective competition.

This provision would require that non-discriminatory access conditions were provided to elements of postal infrastructure such as postcodes, address database, public letter-post collection boxes, post office boxes, parcel lockers, letter delivery boxes, and redirection and return services. It has been found that in the majority of Member States access to universal service provider’s post codes, address database, and post office boxes is given to competitor operators.³⁹³

Table 26 Access to postal infrastructure

Infra-structure element	Post codes	Address database	Public letter-post collection boxes	Post office boxes	Parcel lockers	Letter delivery boxes	Redirection and return service
Member States with non-discriminatory access conditions	84%	57%	18%	64%	5%	57%	48%

³⁹³ Copenhagen Economics (2018), p. 89.



Source: Copenhagen Economics (2018) Main Developments in the Postal Sector 2013-2016, p. 90.

Operators generally do not cooperate in building or sharing infrastructure. In a few cases, however, operators have engaged in cooperation initiatives to develop and/or share part of the postal infrastructure. Apart from the traditional third-party downstream access arrangements, new infrastructure sharing models include the following examples:

- Sharing of parcel lockers among the universal service provider and other postal operators (BE, LU).
- Sharing of delivery network by non-universal service provider postal operators (IT).

Overall, the new initiatives revolve mostly around the delivery of parcels.

Access to **downstream services** describes a service whereby the incumbent postal operator gives access to other postal service providers and postal users to its network at selected points of the postal supply chain and then delivers the access mail fed into its network. From a postal regulatory point of view, access regulation aims at promoting efficiency and effective competition and, thereby, conferring benefits on the users of postal services.

Downstream access regulation has strong impact on the pricing of the universal service provider. For instance, if the access price is set below the bulk mail price, then bulk mailers (e.g. business mail senders) find it less expensive to either become access seekers or send mail via intermediaries that use access product, compared to buying the postal operator’s bulk mail products. Thus, the postal operator will be limited in its ability to price its bulk mail product. On the other hand, setting the access price higher than the bulk mail price can amount to a margin squeeze, forcing access seekers or intermediaries to limit what they can charge. Either way, access price regulation affects prices bulk mailers pay for delivery.

Once access has been mandated by the national regulator or requested by a competitor, both the universal service provider and the regulator may face a host of challenges concerning the design of the access regime. These challenges can be grouped into three types of questions that need to be answered when designing an access regime, namely: scope of access, access price, and point of access.

First, in terms of **scope of access**: should access be mandated to universal service products only or also to non-universal service products? While, in some cases, national postal laws limit access to universal service products, the question of whether to include only a subset of these products (or other products) still arises. In other cases, the postal law does not determine a clear product scope of access. Among 20 countries where universal service providers are obliged to provide access to their postal network, in ten countries such access concerns only universal postal services, in two countries it concerns non-universal postal services and in remaining eight countries – both universal and non-universal postal services, as shown in the table below.

Table 27 Product scope

Product scope	Member States
Obligatory access to the postal network	Belgium, Bulgaria, Croatia, Cyprus, Czech Rep.,

	Germany, Estonia, Spain, Greece, Hungary, Ireland, Lithuania, Malta, Netherlands, Portugal, Romania, Slovenia, UK
Obligatory network access to universal postal services	Belgium, Croatia, Cyprus, Germany, Estonia, Spain, Greece, Hungary, Slovenia
Obligatory network access to non – universal postal services	Lithuania, Netherlands
Obligatory network access to universal and non-universal postal services	Bulgaria, Czech Rep., Ireland, Malta, Portugal, Romania

Source: Copenhagen Economics (2018) Main Developments in the Postal Sector 2013-2016, p. 94.

Second, **access points**: at which point in the delivery chain should access take place, i.e. at which point the access seeker should drop off its mail in order for it to be fed into the delivery network? Traditionally, point of entry for access mail have usually been the inward and outward mail centre. From the economic point of view, any access points further downstream than the inward sorting centre are likely both operationally inefficient and incompatible with the cost-orientation requirement for access prices. Access that is provided further downstream, for instance at distribution offices, may lead to a duplication of resources and therefore to an increase in costs. In the situation when access points create additional costs for the universal service provider, any access prices charged would have to reflect these additional costs. This creates a tension between the cost orientation requirement and the requirement for access prices to be lower than the standard end-to-end service price. These elements have been at the basis of the German and Italian NRAs' conclusion not to set out access to local distribution centres.

2.5 Interoperability for the Postal Sector/Standardisation

The European Committee for Standardisation (CEN) is entrusted with drawing up technical standards applicable in the postal sector on the basis of standardisation requests adopted by the Commission. Such work should take account of the harmonisation measures adopted at international level and in particular those decided upon within the *Universal Postal Union*.

CEN's method of operation is based on a network of national standardization bodies and is geared towards involving all parties concerned, including SMEs and societal stakeholders. European standards for postal services are developed by the CEN technical committee 331 (CEN/TC 331). CEN/TC 331 consists of experts with different backgrounds and from both different countries and organizations. When the experts in CEN/TC 331 draft standards, members of the national standardization committees (via the national standardization bodies) comment on the standards during the several voting phases during the development of standards. This is the system and process that is common for developing European standards and hence a broad group of parties is connected.

The Commission has issued four standardisation requests concerning postal services. The first request M/240³⁹⁴ to CEN was issued in March 1996 to work on the first set of European standards for postal services and equipment. Based on the progress achieved within this first

³⁹⁴ M/240, Mandate to CEN for standardisation in the field of postal services and equipment, 15.3.1996.

request and to extend the work programme with new subjects for standardisation, the second request M/312³⁹⁵ to CEN was issued in May 2001. The third standardisation request M/428³⁹⁶ was issued in October 2008 asking CEN to establish tools for measurement of quality of postal services and for facilitating interoperability between actors in the postal value chain. In addition, it asked CEN to undertake a periodical review of standards elaborated on the basis of previous request and to study feasibility of new standards in the area of quality of service. The fourth standardisation request M/548³⁹⁷ was issued in August 2016.

Standardisation request 2016-2020

Previous standardisation requests for postal services focused largely on letter post. With the growing importance of e-commerce, a shift is taking place to include not only letters, but also parcel delivery, as expressed in this standardisation request. This shift in approach is still valid and relevant, given recent, continued trends in the postal markets (increasing parcel volumes and decreasing letter volumes).

The latest request was launched as there was considered to be a need for progress in the interconnection of postal networks. Encouraging technical standardisation is seen as required to address this need, and such standardisation is considered to be in the interests of users. In general, technical standardisation is also seen as indispensable for the promotion of interoperability between national networks and for an efficient European Union universal service. For the single market, interconnection of postal networks and interoperability is still of high importance, and the project (standardisation deliverables) has been targeted at this need.

The objective of the request was notably to promote quality of service, European interoperability of mail-delivery operations and thereby to contribute to promoting the creation of a Digital Single Market for the European Union. The objective was also to be compliant to security and customs clearance requirements for electronic advanced data in line with international standards adopted by the World Customs Organisation (WCO) and Universal Postal Union.

Use of standards

Since 2002, CEN 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. These two mandatory standards stand out as they are a direct result of the Directive's requirements.

However, some designated postal operators do not apply these standards. According to research by the European Regulators Group for Postal Services, EN 13850 is not applied in Denmark, Estonia, Latvia and Sweden. 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.

³⁹⁵ M/312, Standardisation mandate to CEN for standardisation in the field of postal services and equipment, 4.5.2001.

³⁹⁶ M/428, Standardisation mandate to CEN for standardisation in the field of postal services and equipment, 9.10.2008.

³⁹⁷ Standardisation mandate to CEN for standardisation in the field of postal services and equipment, 1.8.2016.

Table 28 Application of the mandatory standards for transit time measurement

	Standard applied for measurement of	Applied in (# of MS)
EN 13850	Single-piece priority mail	23
	Single-piece non-priority mail	4
	Registered mail	3
	Bulk mail	1
EN 14508	Single-piece non-priority mail	10
	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 also varies between Member States. Universal service providers in some countries only apply the two mandatory standards. There are no data available on the number of operators that apply voluntary standards. Universal service providers apply voluntary standards very selectively. Universal service providers from small countries are less likely to apply voluntary standards developed by CEN and rely on UPU standards only.³⁹⁸

2.6 Data Collection

Article 22a was introduced in the Third Postal Services Directive to ensure the availability of reliable and up-to-date postal statistics. Member States are therefore required to ensure that postal service providers supply financial information and information on the provision of the universal service, in particular to National Regulatory Authorities where such information is required to ensure conformity with the Directive or for clearly defined statistical purposes.

Eurostat (which was the main information point for postal statistical information) decided in 2013 to terminate data collection on postal services³⁹⁹. From 2014 the Commission Directorate-General for the Internal Market, Industry, Entrepreneurship and SMEs has assumed the role of compiling statistics at the European level. The Commission statistics are collected in collaboration with National Regulatory Authorities, who receive the data only after universal service providers publish their accounts. Data is then validated and compiled at the EU level.

Overall, Article 22a has been implemented with respect to data for ensuring compliance with the Directive. Research by the ERGP⁴⁰⁰ indicates however that the data collection

³⁹⁸ WIK (2021) p. 302.

³⁹⁹ Eurostat postal data refer up to reference year 2011, and are available at: <http://ec.europa.eu/eurostat/web/postal-services/data/database>

⁴⁰⁰ European Regulators Group for Postal Services (18) 45

competence of National Regulatory Authorities is restricted in some cases. For example, the National Regulatory Authorities in France and Portugal may collect data from other operators than the Universal Service Provider, only if these are licensed operators. The Danish regulator has no competence to collect data on non-universal services⁴⁰¹. Collection of market data is not uniform and it is not necessarily considered an aim of regulation or a key duty by National Regulatory Authorities in all Member States. Member States have interpreted Article 22a(1)(b) in different ways. In practice, although all Member States collect some statistics from their Universal Service Providers there is a strong focus on services within the scope of the universal service obligation. Until recently, data on the parcel and express segment of the postal market was far less comprehensive and reliable than information on the letter market because most National Regulatory Authorities had not systematically collected data on domestic and cross-border parcel and express services outside the universal service obligation. With the adoption of the Regulation on cross-border parcel delivery services⁴⁰² in 2018, parcel delivery service providers are now obliged under article 4 to provide the National Regulatory Authority of the Member State in which they are established with a number of information, such as annual turnover, number of persons working for them, number of parcels handled or price lists for a set of pre-defined items.

⁴⁰¹ WIK (2021), p.312

⁴⁰² Regulation 2018/644 of 18 April 2018

11. ANNEX 5: COHERENCE

Table 29 Coherence and complementarity between the Directive and other key pieces of legislation⁴⁰³

EU legislation	Relevant provisions in the Directive	Interactions	Potential inconsistencies, gaps, synergies
<p>Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services</p> <p>[regulation on cross-border parcel delivery services]</p> <p><i>OJ L 112, 2.5.2018, p. 19-28</i></p>	<p>Article 2, 3, 12, 22, 22a</p>	<p>The Regulation builds on the Directive (e.g., it uses the definitions of the Directive, relates to single piece parcel that are part of the universal service obligation, takes into account the pricing principles of the Directive) and complements it insofar as cross-border parcel delivery services are concerned.</p>	<p>The Regulation and the Directive are complementary. While the Directive does not focus on regulatory oversight of parcel delivery service providers it establishes common rules governing the provision of postal services and the universal service within the Union. No discrepancies were found between the Regulation and the Directive.</p>
<p>Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on procurement on public procurement and repealing Directive 2004/18/EC</p> <p>[Procurement Directive]</p> <p><i>OJ L 94, 28.3.2014, p. 65 - 242–374</i></p>	<p>Article 2, 4,</p>	<p>The Procurement Directive establishes rules for the procurement procedure <i>inter alia</i> for universal postal services.</p>	<p>The Directive explicitly refers (Recital 26) to the different procedures under the public procurement Directive, which should be used for the designation of the universal service providers. The two pieces of legislation complement each other in this respect. No discrepancies were found between the two Directives.</p>
<p>Directive 2006/123/EC of the European Parliament and of the Council of 12</p>	<p>Article 6, 9, 19, 22</p>	<p>In principle, postal services are subject to the provisions of the Services Directive,</p>	<p>The provisions of the Directive prevail over the corresponding provisions of the</p>

⁴⁰³ This Annex provides a comprehensive overview including acts not covered in the Staff Working Document.

<p>December 2006 on services in the internal market</p> <p>[Services Directive]</p> <p><i>OJ L 376, 27.12.2006, p. 36–68</i></p>		<p>However, the real impact of the Services Directive is limited as one key element of it (the "freedom to provide services principle") does not apply to postal services - postal services, because of their permanent nature are in general subject to establishment. Furthermore, as far as aspects are directly regulated by the Postal Services Directive, the relevant provisions take precedence (see in particular recital 58 of the 2008 amendment to the Directive and Article 3 of the Services Directive).</p>	<p>Services Directive. This concerns in particular information requirements (Article 6), authorisation procedures (Article 9), complaint procedures (Article 19) and the contact point/national regulatory authorities (Article 22). No discrepancies were found between the two Directives. For those aspects not regulated by the Directive the Service Directive would apply complementary.</p>
<p>Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax</p> <p>[VAT Directive]</p> <p><i>OJ L 347, 11.12.2006,</i></p> <p><i>See also: Case C 357/07 TNT Post v. Commissioners for Her Majesty's Revenue and Customs, EU:C:2009:248, paras 37-39</i></p>	<p>Article 7</p>	<p>The VAT Directive exempts the supply at face value of postage stamps valid for use for postal services within their respective territory, fiscal stamps and other similar stamps.</p> <p>The Directive abolishes all exclusive and special rights for the establishment and provision of postal services.</p>	<p>The Directive abolishes in principle all special and exclusive rights. In as far the VAT exemption can be considered a special right there is certain, albeit limited inconsistency. ..</p>
<p>Council Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods</p> <p>[VAT Directive for supplies of services and distance sales of goods]</p> <p><i>OJ L 348, 29.12.2017, p. 7–22</i></p>	<p>Article 7</p>	<p>The Directive aims at removing the VAT exemption for small goods entering the EU from third countries. This new Directive would ensure a level playing field with intra-EU postal deliveries and impact on the volume of postal items from third countries.</p>	<p>The removal of the exemption together with the shift to more cost-orientated terminal dues has a potential positive effect on the sustainability of the universal service as volumes from third countries are likely to be reduced and remaining volumes are provided at more and more cost-orientated rates.</p>

<p>Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights, amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and of the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and of the Council</p> <p>[Consumer Rights Directive]</p> <p><i>OJ L 304, 22.11.2011, p. 64–88</i></p>	<p>Article 19</p>	<p>The Consumer Rights Directive contains rules for consumer contracts, this also applies to contracts between consumers and postal service providers. However, in case of distance sales consumers have in general a contract with the trader and no contract with the postal service provider. The obligations on the information contained in the contract (Article 5) are more detailed than the general information requirements under Article 6 of the Directive.</p>	<p>The Consumer Rights Directive requires more detailed information on the contracts than the Directive. It therefore provides for a more detailed application of Article 6 of the Directive to consumers while remaining coherent with it. No discrepancies were found between the two Directives.</p>
<p>Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR)</p> <p>[Alternative Dispute Resolution Directive]</p> <p><i>OJ L 165, 18.6.2013, p. 63–79</i></p>	<p>Article 19</p>	<p>The Directive on consumer alternative dispute resolution contains concrete rules regarding the Alternative Dispute Resolution entities and Alternative Dispute Resolution procedures. Member States have to make them available to postal consumers.</p>	<p>The Directive only encourages Member States to develop independent out-of-court schemes for the resolution of disputes between postal service providers and users. However, the Alternative Dispute Resolution Directive obliges Member States to set up alternative dispute resolution entities and procedures for consumers only, and not for the other categories of users as defined in the Directive</p>
<p>Regulation (EU) No 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Regulation on consumer ODR)</p> <p>[Online Dispute Resolution Directive]</p> <p><i>OJ L 165, 18.6.2013, p. 1–12</i></p>	<p>Article 19</p>	<p>The Online Dispute Resolution Regulation complements the Directive on consumer Alternative Dispute Resolution. It provides a European Online Dispute Resolution platform facilitating the independent, impartial, transparent, effective, fast and fair out-of-court resolution of disputes between consumers and traders online. Postal consumers have the right to use it for alternative dispute resolution procedures.</p>	<p>The Directive does not contain a specific digital platform for out-of-court dispute resolution (see point above). The Online Dispute Resolution Regulation is specific and provides consumers with an online platform for dispute resolution. No discrepancies were found between the two Directives.</p>

<p>Regulation (EU) 2018/302 of the European Parliament and of the Council of 28 February 2018 on addressing unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market and amending Regulations (EC) No 2006/2004 and (EU) 2017/2394 and Directive 2009/22/EC</p> <p>[Geoblocking Regulation]</p> <p><i>OJ L 601, 2.3.2018, p. 1–15</i></p>	<p>Article 3</p>	<p>The interlink between the Geoblocking Regulation and the Directive relates to the self-arrangement of pick-up of items (goods) that have been bought in another Member State. This can be done by using postal service providers. The Geoblocking Regulation does not impose any obligation on traders to deliver goods across borders. It is up to the trader to decide whether to deliver to another country or not. However if a customer wishes to buy a good on a foreign website, the customer is entitled to order the product and collect it at the trader's premises or organise delivery himself to his home(the customer may have recourse to cross-border parcel delivery services).-</p>	<p>The Directive provides a universal postal service that contains also cross-border services; users may rely on this in order to receive items from other Member States. Therefore, the Directive facilitates the relevant provision of the Geoblocking Regulation. However, it should be noted that the Directive does not contain an obligation for postal service providers to provide for pick-up services of items (goods) bought and provided in another Member State.</p>
<p>REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006</p> <p>[Regulation on Regional Development]</p>	<p>Article 3</p>	<p>The Regulation establishes requirements for access for persons with disabilities and the elderly. The Directive establishes requirements for ubiquitous access.</p>	<p>The Regulation and the Directive are coherent.</p>
<p>Regulation (EC) No 561/2006 of the</p>	<p>Article 3</p>	<p>The Regulation contains certain exemptions from drive and resting times for universal</p>	<p>The universal service obligation of the Directive is eased by exempting</p>

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 (EEC) No 3821/85 and (EC) No 2135/98 and repealing Council Regulation (EEC) No 3820/85 (OJ 2006 L 102, p. 1), as amended by Regulation (EU) No 165/2014 of the European Parliament and of the Council of 4 February 2014 (OJ 2014 L 60, p. 1) ('Regulation No 561/2006').

[Road Transport Regulation]

service providers in order to support the provision of universal services.

universal services from resting times. The Court (Joined Cases C 203/18 and C 374/18) has provided a judgement limiting the use to vehicles that exclusively provide universal services, and avoiding thus a special right. Consequently, the Directive and the Regulation are fully consistent.

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