

Postal Universal Service in the EU and Germany

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EU postal policy

■ Objective

- Opening of the postal market to competition to fully accomplish the internal market
- Commitment of the EU Member States to ensure high-quality and affordable universal services area-wide

■ Realisation

- Liberalisation of the letter mail market in the EU for universal service providers by gradual reduction of the monopoly (“reserved area“)
- Securing of both universal service and functioning competition by regulation

Universal service in the EU

Article 3 EU Postal Directive 97/67/EC:

- „1. Member States shall ensure that users enjoy the right to a **universal service** involving the permanent provision of a postal service of specified **quality** at all points **in their territory** at **affordable prices** for all users.“
- „2. To this end, Member States shall take steps to ensure that the **density of the points of contact and of the access points** takes account of the needs of users.“

Universal service in the EU

Article 3 EU Postal Directive 97/67/EC:

- “3. They shall take steps to ensure that the **universal service** provider(s) guarantee(s) **every working day** and not less than five days a week [...] as a minimum:
 - one **clearance**;
- - one **delivery** to the home or premises of every natural or legal person [...].”

- “4. Each Member State shall adopt the measures necessary to ensure that the universal service includes the following minimum **facilities**:
 - ➔ the clearance, sorting, transport and distribution of **postal items up to two kilograms**;
 - ➔ the clearance, sorting, transport and distribution of **postal packages up to 10 kilograms**,
 - ➔ **services for registered items and insured items.**”
 - ➔ The distribution of cross-border postal packages weighing up to 20 kilograms

Universal service in the EU

- Universal service regulations in the 3rd EU Postal Directive 2008/06/EC
 - The scope and the standard of universal service remain unchanged
 - Member States are responsible for securing postal universal service. A commitment of the traditional post enterprises to provide universal service is no longer compulsory, i. e. providing universal service is open to „neutral“ operators
 - Universal service providers shall not be granted any exclusive rights („reserved areas“) to finance universal service.

Financing of universal service in the EU

- Until 2010: Financing of universal service by reserved area
 - ➔ “1. To the extent necessary to ensure the maintenance of universal service, the services which may be reserved by each Member State for the universal service provider(s) shall be the clearance, sorting, transport and delivery of items of domestic correspondence, [...], provided that they weigh less than 350 grams.” (*Art. 7 EU Directive 97/67/EC*)
- From 2011/ 2013: Financing of universal service by mechanisms of competition that are in line with market conditions
 - ➔ “1. Member States shall not grant or maintain in force exclusive or special rights for the establishment and provision of postal services. Member States may finance the provision of universal services in accordance with one or more of the means provided for in paragraphs 2, 3 and 4, or in accordance with any other means compatible with the Treaty.” (*Art. 7 EU Directive 2008/6/EC*)

Regulation of universal service in selected EU Member States: Magnitude of universal service

- In spite of the EU-wide harmonisation of universal service offer, its magnitude diverges significantly:
 - Universal service offer above EU requirements:
 - e.g. Literature for the blind, postal orders, cash on delivery (COD), express mail
 - *AT, DE, DK, HU, ES, PL, SE*
 - Universal service offer below EU requirements :
 - e.g. no standard periodicals included in universal service
 - *CZ, LT, SK, FI, UK, IT, NL, PL*
 - Universal service offer like EU requirements:
 - *BE, FR, IE, PT*

Regulation of universal service in selected EU Member States: Delivery frequency

Delivery	Countries
At 6 working days per week	DE, DK¹⁾, FI, ES²⁾, FR, HU, IT²⁾, NL, PT, UK
At 5 working days per week	AT, BE, CZ, IE, LT³⁾, PL, SE, SK

1) Only letters

2) de-jure 5 working days p.w., de-facto 6 working days p.w.

3) Delivery at 6 working days in cities

Regulation of universal service in selected EU Member States: Access to the postal network

High demands

- Density of access points determined by detailed requirements concerning the number (minimum number, number per community) and the distribution (access points per inhabitants or per area)
 - *DE, HU, LT, PL*
- No density criteria but extensive intervention rights by the regulatory authorities in case of modifications in the postal access points network
 - *AT, PT, SE*
- Strong consideration of structural and regional policy concerns regarding the density of the postal access points network and/ or extensive participation rights of regional and local governments
 - *AT, FR*
- Additional charge for maintaining self-operated post offices
 - *BE, DE, NL*

Regulation of universal service in selected EU Member States: Access to the postal network

- Medium demands
 - Comparatively generous (distance) criteria
 - *UK, DK, FI, CZ, SK*
- Low demands
 - No density criteria and hardly any influence possibilities by the regulatory authority
 - *IT, IE, ES*
- Almost all providers of universal service try to minimise the costs of the post offices network
 - In most of the countries the number of post offices has been reduced to a minimum
 - In almost all Member states the incumbent increasingly replaces post offices by external postal agencies within the realm of possibility

Regulation of universal service: Pricing of the universal service

- In all EU countries most universal service items are nationwide single-priced („uniform tariff in the territory“)
- All EU Member States studied have committed the incumbent to follow the principles of affordability and cost orientation in the pricing of their universal service items
- The principle of affordability is guaranteed in most EU Member States studied by the fixation of price limits for universal service items
 - ➔ Price limits for the entire universal service
 - *BE, CZ, IT, LT, NL, UK, FR, SK*
 - ➔ Price limits for parts of the universal service
 - *DK, PT, IE, AT, ES, HU* (all: reserved area), *SE* (single letter mail up to 500 g), *DE* (letter mail up to 1000 g)

The postal universal service in Germany

■ Scope of services

- Letter mail up to 2 kg (incl. advertising mail)
- Insured items, registered mail, express mail, cash on delivery
- Postal packages up to 20 kg
- Press items (newspapers, magazines)

■ Quality standards

- Access points and clearance network (post offices, letter boxes)
- Run-time requirements (day of clearance +1, day of clearance +2)
- Frequency of delivery: delivery at 6 working days per week
- Form of delivery: home delivery

The postal universal service in Germany

■ Price requirements

- Affordable price for all letter mail. The criteria for the affordability of postal services is the real price level by 31.12.1997
- A uniform tariff applies to most postal services

■ Self-commitment of Deutsche Post to maintain a dense network of post offices and letter boxes until the end of the exclusive licence (31.12.2007)

- Provision of one stationary facility in communities with more than 2,000 inhabitants
- Maintenance of at least 12,000 post offices of which 5,000 are staffed with personnel belonging to Deutsche Post
- Minimum opening hours at very small branches
- Provision of all letter and parcel products at all post offices
- Maintenance of 108,000 letter boxes

The development of the postal universal service in Germany after the liberalisation

- Planned regulative changes in the scope and standards of the universal service, e.g.
 - ➔ Softening of the density criteria with post offices
 - ➔ Terminating the obligation of Deutsche Post AG to staff post offices with the company's own employees
 - ➔ Reduction of the compulsory service offer at small post offices/ postal agencies
 - ➔ Reduction of the universal service offer to the minimum claimed by the EU

- ➡ Up to now the German government hasn't passed the modification of the Postal Universal Service Ordinance

The development of the postal universal service in Germany after the liberalisation

- Universal service is supposed to be provided by competition. However, Deutsche Post AG has announced to provide universal service nationwide even if there is a complete opening of the postal market.
- In the future, exemption from value-added tax (VAT) for universal services is to apply only to the products for non-corporate customers, i.e. single letter mails and postal packages up to 10 kg.
- Deutsche Post AG intends to increasingly replace the company's post offices by agencies, cooperation with trade chains and self-service facilities/ machines.

Experiences and problems with liberalisation: Effects on the universal service

- Liberalisation puts the scope, the standards and the prices for universal service under pressure:
 - ➔ In case of the liberalisation of the postal market, small corporate and non-corporate customers will have to assume that prices rise and that postal supply deteriorates, especially the access to postal counters and letter boxes.
 - ➔ An opening of the market almost exclusively benefit corporate customers, who can assume declining prices due to the competition in the bulk mail sector.

Experiences and problems with liberalisation: Financing the universal service

- Without the reserved area, a cross-subsidisation between profitable and non-profitable sectors of the postal network and thus the financing of nationwide universal service cannot be guaranteed any longer.
- Various methods of a competitively neutral financing of the universal service (equalisation funds, public invitation to tender, etc.) have in common that they have not been tested yet in the postal sector.