



Ministry of Economic Affairs



Recent Developments in the Dutch Postal Market

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The Policy Response

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Outline

Introduction

1. The Dutch Postal Market and the USO

The policy response

2. Regulation of labour conditions

3. SMP regulation by the Authority for Consumers and Markets (ACM)

4. Modernisation of the USO



General characteristics (mail, 2013)

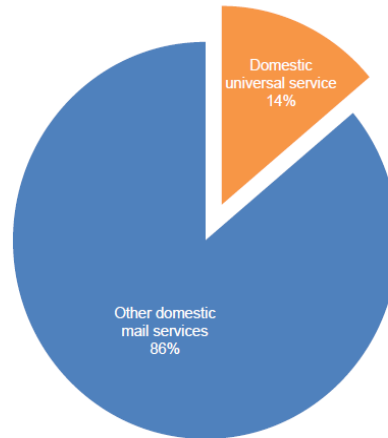
- Total volume: 3800 mln postal items
- Market share USO: 14%
- USO tariff <20gr (2015): €0,69
- Key players: PostNL and Sandd (both have nation wide network)
- PostNL designated USP
- Employment: PostNL 51.400, Sandd 18.000 employees
- Market share USO: PostNL 100%
- Market share non-USO: PostNL 75-80%, Sandd 20-25%

Non postal (2014)

- Broadband internet access: 95%
- Smartphone penetration: 72%



Scope of the USO

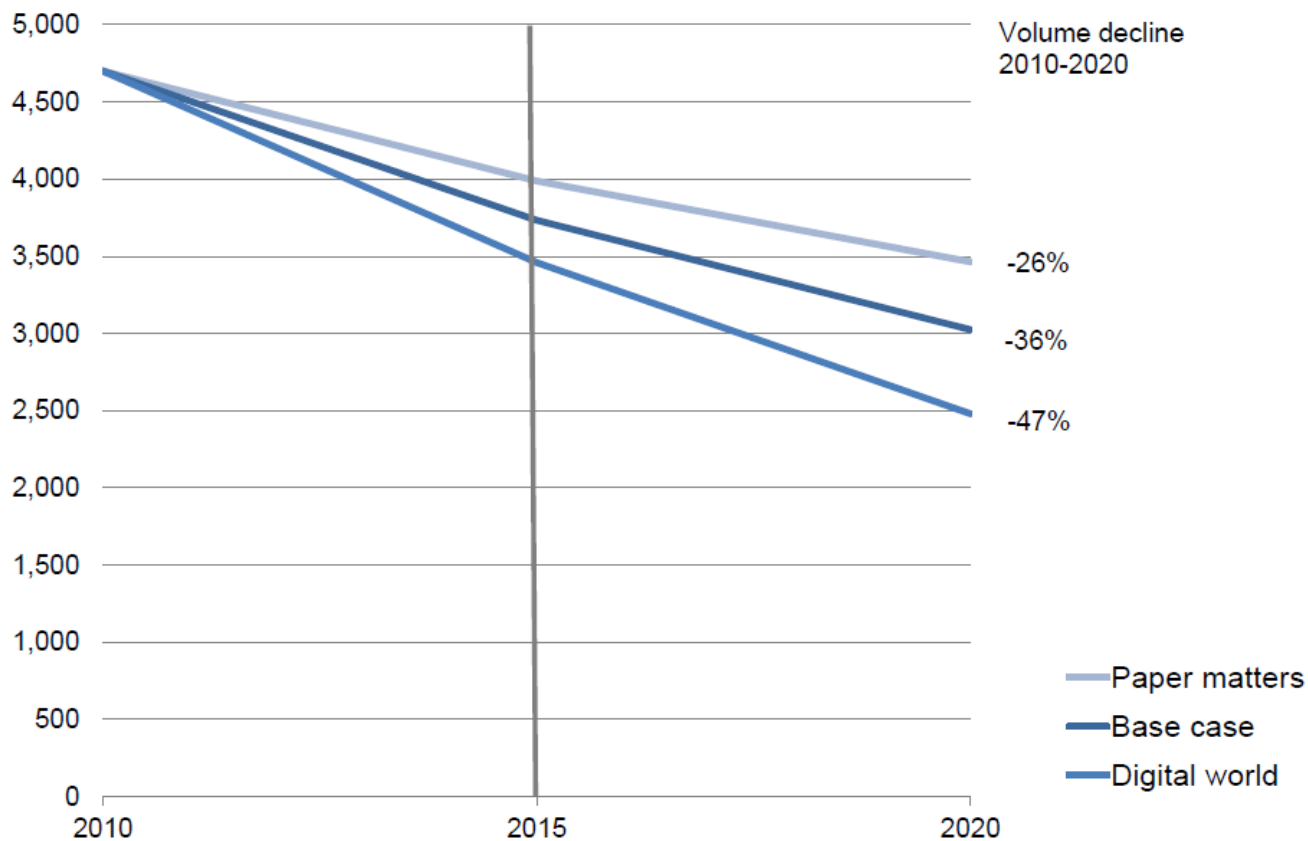


Source: PostNL estimation

- USO: single piece domestic mail and parcels via USO network
- 5 days collection and delivery/week
- Quality of Service: 95% D+1
- Network requirement: 2000 postal agencies and 19.000 collection boxes



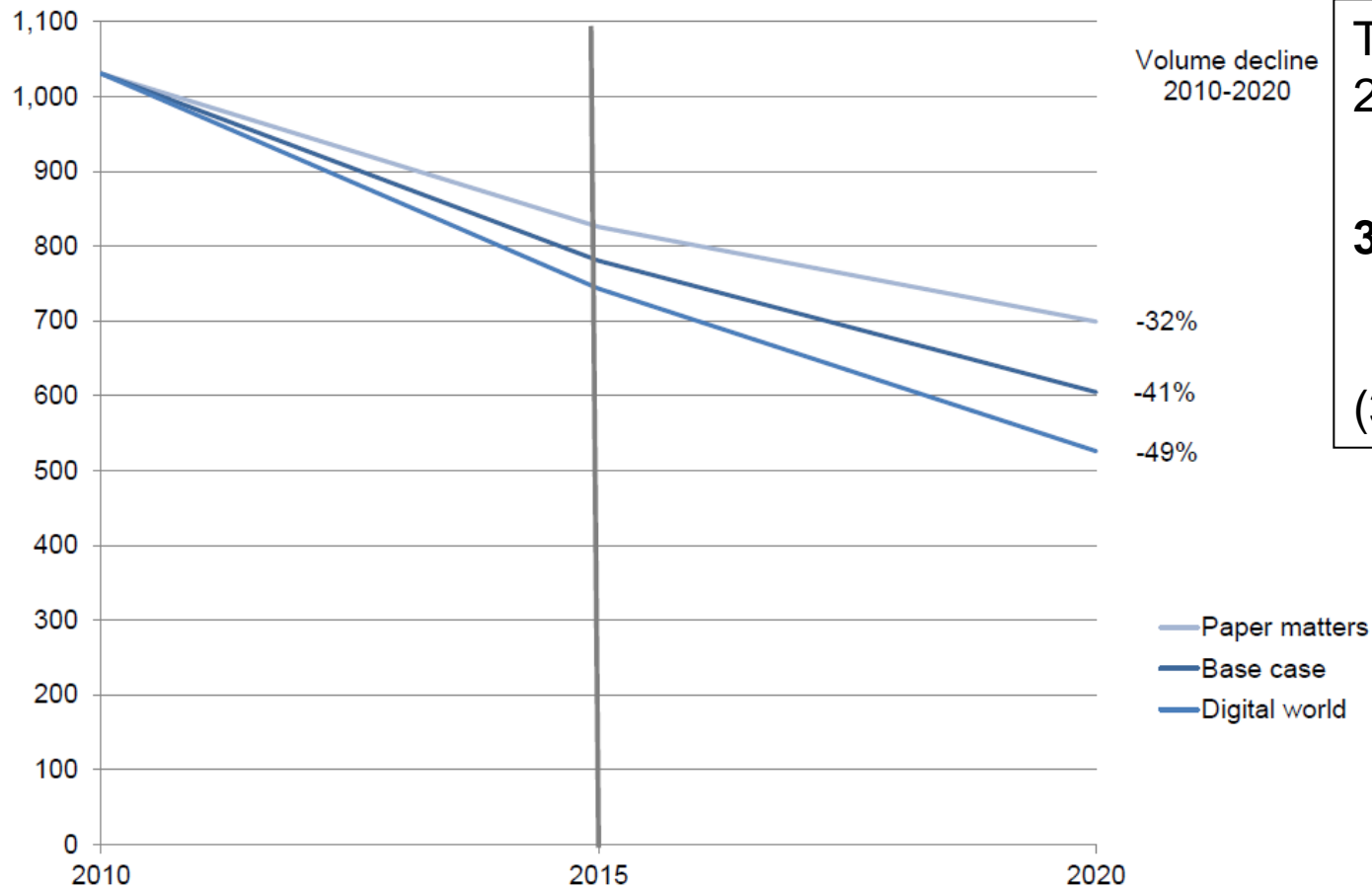
Mail volume forecast (1) (WIK, 2011)



Total domestic mail volume, 2010-2020:
26% - 47% decline
(3.0 – 6.2% per year)



Mail volume forecast (2) (WIK, 2011)



Total USO volume,
2010-2020:

32% - 49% decline

(3.8 – 6.5% per year)



Mail volume developments

	Forecast WIK (2011)	Actual
	2010-2020	2003-2014
Total domestic mail decline (volume) (Range for USO not accounted)	3.8 – 6.5% per year 32% - 49% in total	2003 / 2009: 3% - 4% 2010 / 2014: 8% - 10%



Development in main tariff (<20gr)

year	Price in €
2006	0,39
2007-2010	0,44
2011	0,46
2012	0,50
2013	0,54/0,59
2014	0,64
2015	0,69



Regulation of labour conditions

- PostNL: “80% of operating costs are labour costs”
- >2002: switch from full time staff to part time employees
- Postal Act 2009: full liberalisation
- Postal Act 2009: possibility to regulate labour conditions
- 2011: obligation 80% regular employment contracts



SMP Regulation on the postal market

- Trend of increasing decline in letter mail volumes, in combination with substantial barriers to entry, creates substantial risk for competition concerns on non-USO segment (OPTA, 2011).
- Abuse of dominance (102 TFEU) difficult to establish and only allows to intervene *ex post*.
- As of January 1st 2014: ability to intervene *ex ante*. NRA can impose specific obligations to a postal operator with Significant Market Power (SMP) (materially equivalent as a dominant position).
- Possible obligations: access, transparency, use separate financial accounts, unbundling, non-discrimination and price/quality regulation.



Modernisation of the USO

- Trend of increasing decline in letter mail volumes threatens financial viability of the USO, e.g. due to economies of scale.
- Modernisation of the USO aims to promote the financial viability of the USO through changes in:
 - USO pricing
 - USO costs
 - USO flexibility.



USO pricing (price cap)

Previous situation

USO pricing regulation not sufficiently flexible to take into account trend of increasing decline in mail volumes

Modernisation (2014)

USO pricing regulation will entail a mechanism to correct for expected mail volume developments.



USO costs

Current situation

USO requirements:

- <2014: 6 days/week collection and delivery
- Specific requirements result in 19,000 collection boxes.
- Specific requirements result in at least 2000 postal agencies.

Modernisation

- January 1st 2014: 5 days/week collection and delivery.
- Proposal*: changes in requirements allow for reduction to app. 8,700 letter boxes.
- Proposal*: changes in requirements for reduction to app. 1,000 postal agencies.

* Bill pending in First Chamber



USO flexibility

Current situation

- Since USO requirements are all laid down in Postal Act, amendments require 1.5 – 2 years.

Modernisation

- Proposal*: lay down USO requirements in secondary legislation.
- Proposal*: introduce regular USO evaluation (each 3 or 4 years).

Future changes?

- Postal Directive requirement for 5 days/week collection and delivery is an important limitation for future USO modernisation.
- Study on possibility / feasibility of adding second class mail.

* Bill pending in First Chamber



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Questions?

Thank you!

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