

A photograph showing two women in conversation. On the left, a woman wearing a black cycling helmet, a blue sleeveless jersey with 'PostNord' branding, and a black backpack is gesturing with her hand. On the right, a woman in a red polo shirt is smiling and looking towards the cyclist. They are standing in a modern, brightly lit outdoor space with a white, textured ceiling and large glass panels. In the background, a light blue PostNord delivery van is parked. The van has 'postnord' written on its side and a logo. The overall scene suggests a meeting or discussion related to sustainable logistics or cycling.

Sustainable USO from a Danish perspective – own reflections

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Outline of presentation



- Present USO in Denmark
- General context
- Today's situation – with emphasis on Denmark
- USO in the short and longer term
- Some Take-Aways

Views are the presenter's and not an expression of official Danish policy or of the position of PostNord

USO in Denmark



- Addressed letters up to 2 kg and addressed daily, weekly and monthly newspapers, periodicals and addressed items with uniform, printed contents, e.g. catalogues and brochures up to 2 kg
- Addressed parcels up to 20 kg, including with and without home delivery
- Registered items up to 2 kg and insured items up to 20 kg
- Literature for the blind up to 7 kg
- Delivery 6 days per week (min. 5 days for parcels)
- Quality of service demand for 93%

USO in Denmark

DO may partly reduce number of delivery days while still guaranteeing delivery 6 days per week



In force this means:

- A-letters sent on a Saturday/Sunday to Business Recipients (including farmers) are distributed the following Monday
- A-letters sent on a Saturday/Sunday to private recipients and recreational dwellings are distributed the following Tuesday
- Against a surcharge (approx 6.75 Euros) a sender may have A-letters to private recipients and recreational dwellings delivered on Mondays
- No delivery on Mondays of incoming international letters to private recipients
- No changes in delivery of daily newspapers and periodicals

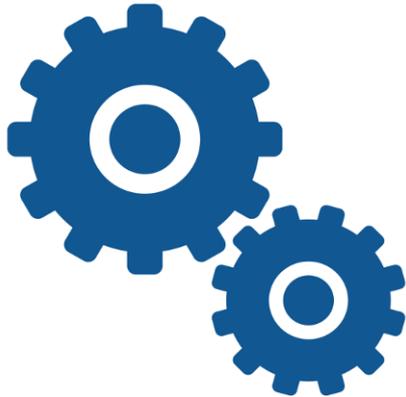
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USO in Denmark



- DO has freedom to set prices on the basis of commercial considerations
- General pricing principles of transparency and non-discrimination must be respected
- Applies for all products/services - except the price for single piece stamped B-letters 0-50 grs. where approval by the minister of transport is required. No price cap is applied – only relation to cost is taken into account
- Minister's approval for B-letters 0-50 grs. due to this letter category being viewed as the basic letter service
- Possibility to activate a compensation fund scheme to contribute to finance net costs of USO

General context



- An effective USO needs to match real customer and market needs rather than political or regulatory perceptions originating from the past
- Way of implementing USO must be supportive in fulfilment of objectives
- Sustainability is closely linked to USO matching contemporary conditions as regards scope and regulatory intervention
- Technology is fundamentally changing and redefining the demand for postal services – and USO
- Is USO in purpose and content in line with the ongoing fundamental changes? Has viability and sustainability been ensured?

Today's situation



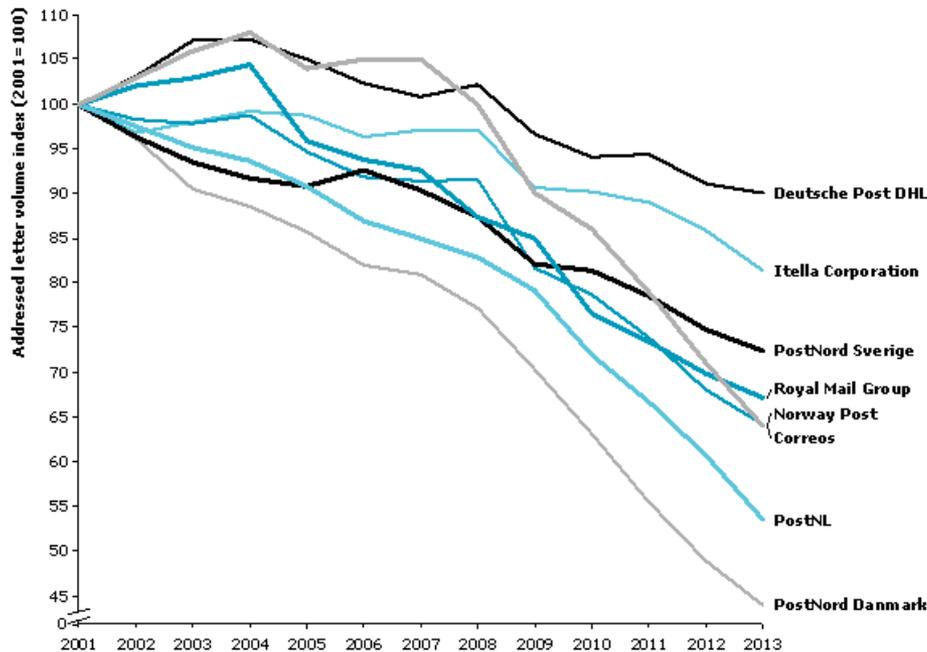
- Competitive markets and customer demands together with technology are core drivers for changing postal services
- DOs are responding by developing business models to stay relevant and with offerings that meet the changing needs
- Inward silo postal-centric thinking is out in favour of outward market and customer-centric thinking

What about tomorrow?



- Is it relevant to continue to view and regulate USO primarily on the basis of 2 stand-alone service streams: letters and parcels? Or is this increasingly “yesterday” and out of sync with today’s needs?
- And, is it sustainable beyond the very near future?
- Will there be continued customer and political willingness to keep USO economically above water when subsidies need to increase, public finances are strained – and customers migrate to new service offerings outside postal services?

A Danish perspective on OSU viability and sustainability



Source: IPC Statistical Database; Operators Annual Reports; DP-DHL International Letter Price Survey Europe 2014

Note

- Denmark has witnessed massive reductions in mail volumes since 2000 – in the vicinity of 70%
- Reduction in letter mail volume is still double digit year on year
- Since Autumn 2014 all correspondence between public bodies and citizens and businesses is digital – determined by law
- Non-government correspondence is extensively and rapidly also turning digital
- The product portfolio is changing from communication to conveyance of physical items

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Denmark is not an exception



- An often heard comment is that Denmark is an exception
- It is not an exception but a pre-view of what is to become the new normal – technology is a forceful driver
- USO has been changed to some extent since 2000 but it is not enough longer term

How are postal services viewed today in Denmark?

A recent survey by CEM Institute Voxmeter in cooperation with the Danish Ministry of Transport is informative:



- ✓ Communication habits have changed for citizens and businesses
- ✓ Especially citizens still sending letters are also those communicating digitally
- ✓ A discrepancy exists between want of access and actual use of postal services
- ✓ E-mail and digital post are the most used means of communication by businesses
- ✓ Elderly citizens are versatile in choice of communication channels - are active users of physical mail and e-mail and digital post

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....views (contd)



More in-depth information on the study is available on www.trm.dk

1. Senders particularly intend using letters for birthday greetings, Christmas cards, invitations and the like – and with need for day-to-day delivery
2. Letters with more formal content are ranked lower in terms of delivery time
3. 60% view 6 times per week delivery as right – even though only 15% have a sent a letter in the past week
4. There is a marked divide between the intention to use physical mail and actual choice of communication mode

How far does USO mirror today's customer and market needs?



- Present USO reflects conditions in 1980's - before the communications revolution. Scope and content are "frozen"
- Union and employment considerations further adds to "freezing"
- USO assumes postal services are the core means of communication and parcel delivery in society.
- Service and quality specifications also reflect postal services' former core role in society
- Today letter services are increasingly only supplementary to other, cheaper, faster and dominant means of communication. Price competition is an impossibility for letter communication
- Physical delivery is increasingly integrated with a vibrant and competitive e-commerce development
- With little dynamic for development and integration embedded in USO, development instead happens outside USO in ways flexible to market and technological development and customer demand

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The key questions - Now



- Who benefits from and who is willing to pay for USO as it increasingly becomes outdated and unable to meet contemporary societal needs?
- Does USO – in the little longer perspective – face an inevitable “reform or become superfluous” situation if it is to remain responsive to societal needs?
- Is there – in the short term - still some room for modernised interpretation of the present EU-USO - as a stop gap measure?
- I believe the answer to the last 2 questions is affirmative
- The answers to the first question is less clear as it depends on conditions in individual Member States

The longer term reform



- The guiding principle should be market development and customer needs – both senders and receivers
- Only if market imperfections exist under competition law should a strictly defined USO provision be instated – “light is right” is best approach to make change and develop in sync with accelerated speed of development of the industry, customer needs and social objectives
- Price control should be minimal and based only on documented need stemming from market failure – not the other way round
- Fixed service goals belong in the world of monopoly. Today, common measuring standards are more relevant as reliability is key delivery parameter. Examples are quality of service and delivery frequency

Longer term...



- USO addressing special social needs – e.g. the blind, remote living people and handicapped groups – should be handled and financed by responsible public bodies
- A “stand-alone” postal USO will be less and less relevant as communication channels integrate. A societal “Communication USO” for all communications channels seems a possible successor
- USO for physical delivery – if needed at all - should be limited to very basic services

The short term



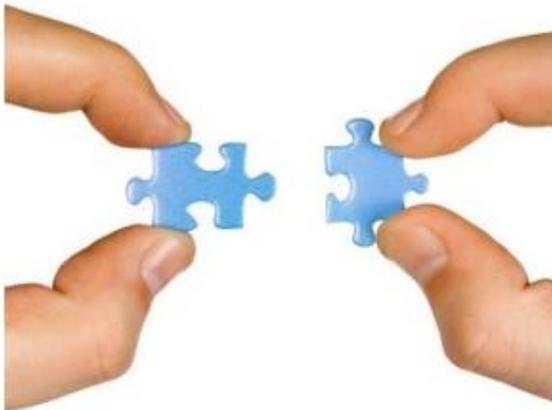
- As seen in the Danish case, letter mail is losing importance and volumes are showing revolutionary decline. As alternatives take over, the case for USO correspondingly changes and diminishes. Users choose mail due to preference, not lack of alternatives or price
- The case for safeguarding affordability therefore also changes. Extensive price regulation schemes should be abolished or relaxed and limited in scope
- Regulatory set delivery frequency similarly may be reduced to the minimum possible – day to day delivery still being available as an optional value added service if chosen
- Redefinition of classical notions such as e.g. “delivery to the recipient.” When alternative means are possible in the parcels area, why not so also in the letters area?

Some Take-Aways



1. There is a delay in users adjusting to the new communication scene - transition from an “old normal” to a “new normal”
2. Day-to-day delivery has little and diminishing importance – reliability is most important
3. Winners with present USO are private users at the expense of business customers – despite increasingly only occasional and chosen use of postal service by these users.
4. USO is no protector of letter volume – increasingly the opposite

More Take-Aways



1. In the interest of users, effective enforcement and public finances, reform of USO – short and long term – should be at the forefront on the postal agenda at EU level
2. Future USO should be as light as possible with outset in competition law, market development and user needs
3. Inside a well considered contemporary EU framework give maximum flexibility to Member states to determine proportionate scope and content of USO – no one size will ever fit all!
4. Above all: Untraditional thinking and development is needed by all stakeholders to ensure the very purpose of USO: to protect where protection and safeguarding is needed – and no more.