Internal market of postal services

2006/0196(COD) - 17/11/2015 - Follow-up document

This Staff Working Document accompanies the Application Report and provides **more detailed information on how the Directive has been implemented, market developments and calculations of the net cost of the Universal Service Obligation** that have been found to be consistent with the Directive.

Overall, the Staff Working Document finds that the two core aims of European postal policy have broadly been achieved, these being:

- a minimum range of services of specified quality at affordable prices for all users; and
- market opening with fair conditions of competition.

C**oncerns about the cross-border parcel market persist.**

The 2012 Communication on e-commerce and online services identified the delivery of goods purchased online as one of the five main priorities to boost e-commerce. Following this, a Green Paper consultation entitled 'An integrated parcel delivery market for the growth of e-commerce in the EU' sought further details of the problems in the market and possible solutions to address them. Cross-border delivery was considered to be an obstacle by 57% of retailers and almost half of consumers worried about the delivery element of cross border transactions.

The 2013 Roadmap set out a series of actions to improve the availability, affordability and accessibility of cross-border parcel delivery services. Because the parcel services provided by universal service providers have developed primarily for their domestic market, **systems and operating practices were often incompatible**. This resulted, for example, in the need to re-label items on arrival in a different Member State and a lack of cross-border track and trace services. The **'Interconnect' programme developed by universal service providers** is comprised of five areas: (i) flexible delivery options; (ii) easy and seamless return solutions; (iii) track and trace capability for lightweight products; (iv) improved customer services and (v) harmonised labelling. The Commission is monitoring the extent to which these new products and services meet customer needs, following the expiry of the 18-month deadline in June 2015 envisaged by the Roadmap. It **will include an assessment of progress** in the forthcoming impact assessment for the cross-border parcel initiative that forms part of the Digital Single Market Strategy.

Net Cost of the Universal Service Obligation

The Postal Services Directive recognised that the external financing of the residual net costs of the universal service may still be necessary for some Member States. An Annex to this document sets out different approaches to **calculate the net costs** of the Postal Universal Service Obligation that have been found to be consistent with Annex I of the Postal Services Directive.

The estimated cost of the universal service in western Member States has been estimated to be around **5% of the overall cost** of the universal service obligation, whereas in the eastern Member States it is thought to be much higher and **in the region of 30% to 70%.** There is also some evidence the net cost is **increasing over time, particularly given falling mail volumes**.

Several Member States have deemed the universal service obligation to be an **unfair burden**. Some Member States (including Italy and Poland) compensate the universal service provider through public

funds and others have established a compensation fund, although a further 18 have authorised the use of a compensation fund. Concerns have been raised that **the establishment of a compensation fund could create a barrier to entry**, and developments in this respect will need to be closely monitored.

The document concludes that **ongoing close monitoring of the overall postal market and the effects of the regulatory framework are needed**. This is particularly important in view of the impact, on the universal service obligation, of the decline in letter volumes and the growing number of parcels, and in order to be able to respond, if necessary, to changes in the technical, economic and social environment, and to the needs of users. This is all the more the case given the fundamental need to ensure the sustainability of the sector and its contribution to society.