

MAIN DEVELOPMENTS IN THE POSTAL SECTOR

2013-2016

Our work and your role

Presentation on invitation of the SDC
Brussels, 7 December 2017

1 OVERVIEW OF STUDY AND TEAM

2 ZOOMING IN ON STUDY COMPONENTS

3 STAKEHOLDERS' ENGAGEMENT

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Summary info on our background



Copenhagen Economics

- Offices in Brussels, Copenhagen and Stockholm
- 70+ economists



Postal sector experience

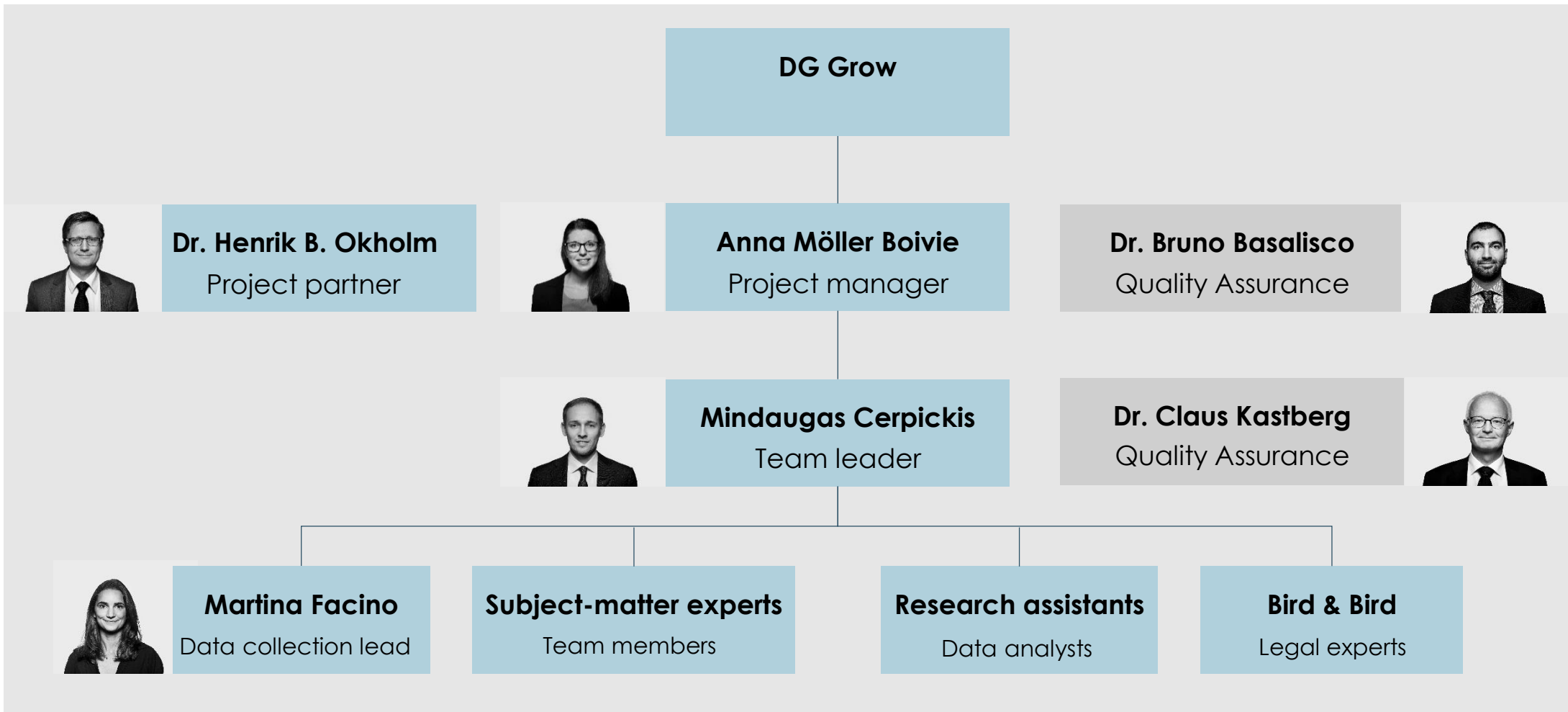
- 3 studies for the European Commission
- Calculation of USO net costs
- Terminal dues
- Tariff regulation
- Cost allocation and pricing
- Scope of USO
- Access regulation
- Antitrust and regulatory cases in multiple countries



Data-intensive projects

- E-commerce and Delivery (2012)
- Pricing behaviour of postal operators (2011)
- Terminal dues study for the US PRC (2014-15) and other studies

The project team



6th monitoring study in a row since 2004

- Monitoring the **progress of the application** of the Postal Directive
- Assisting the Commission in the process of evaluating the effectiveness of the existing **regulatory framework**
- Highlighting **key trade-offs** and implications
- Providing input for **future postal regulation**
- Focus of the current study is the **postal** sector – the EC is procuring a separate study with a **parcel** sector focus

Project timeline

Activity	2017				2018							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Data collection questionnaires, interviews, desk research First public workshop												
Interim report prelim. results, initial conclusions, and next steps Second public workshop												
Draft final report First version of the final study Third public workshop												
Final report												

What's in it for you?

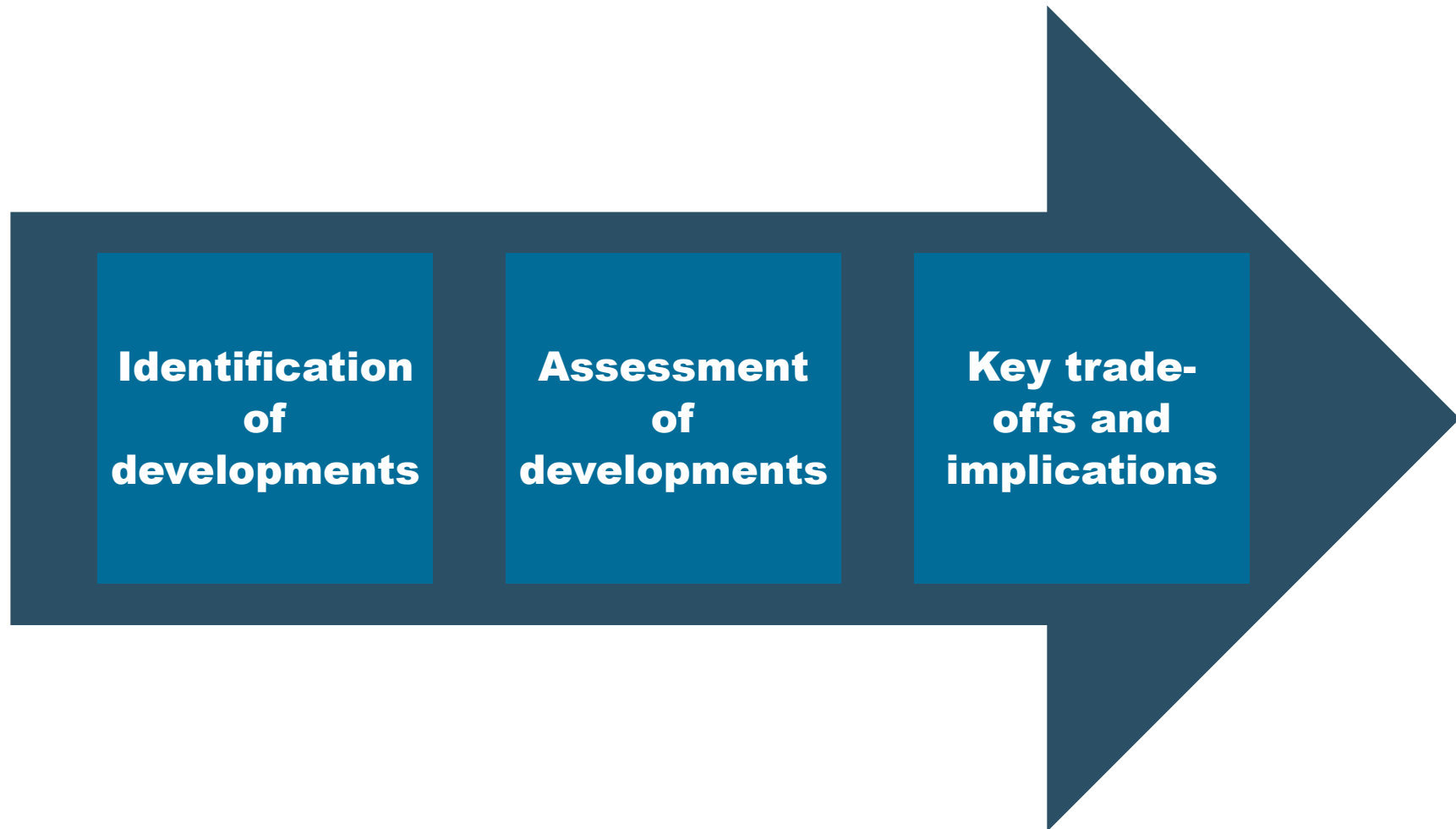
- Access to information about developments in other countries
- Benchmarking of own country against others
- Insights on future challenges/opportunities
- Guidance regarding possible ways to act

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Our work consists of three main elements



Our approach: Focus on adding value to what has already been investigated



Tentative report structure

Chapter 1

Important market developments

Chapter 2

The competitive landscape

Chapter 3

Employment and environmental developments

Chapter 4

The universal postal service

Chapter 5

Potential scenarios for the future provision of the USO

1. Important market developments

Chapter 1

Important market developments

- **The impact of digitalisation on parcel and letter markets:**
 - Volumes, turnover, profitability, market shares and segments
- **Operators' responses to digitalisation**
 - Operational models, Diversification strategies etc.
- **Quality of service and prices**
- **New technologies**

2. The competitive landscape

Chapter 1

Important market developments

Chapter 2

The competitive landscape

- **Development of competition**
 - Successful cases and the factors contributing to its success
- **Obstacles or market failures preventing more effective competition**
- **New, competing business models for delivery**
- **Access to certain infrastructure elements**
- **Third party access**
- **Standardisation**
- **Complaint handling systems and ADR**
- **Regulatory oversight**

3. Employment and environmental developments

Chapter 1

Important market developments

Chapter 2

The competitive landscape

Chapter 3

Employment and environmental developments

- **Types of employment contracts**
- **Quality of working conditions**
- **Wages and wage costs**
- **Industrial relations and the role of social partners**
- **(Technological) measures to reduce environmental impacts**
- **Relationship between the USO and environmental impacts**

3. Employment and environmental developments – zooming in

Step 1

Collect data on employment indicators

- Desk research
- USP and trade unions questionnaires
- Interviews with trade unions, competing mail players, other market experts

Step 2

• **Describe** and **analyse** the developments

- Identify drivers
- Make case studies

Step 3

• **Determine implications** for the sector, employees, consumers

3a. Level and quality of employment

Data collection

Indicators – focus on postal/mail activities

- Total employment (USP and non-USP mail providers)
- Development of total employment
- Development and share of non-standard employment contracts
- Type of outsourcing and subcontracted employment
- Wages and working conditions (USP and non-USP mail providers)
- Etc.

Previous studies

- Eurofound (2017), Representativeness of the European social partner organisations: Postal and courier activities sector
- European Social Dialogue Committee for the Postal Sector (2016) Mobilising social partners in a new context
- International Labour Organization (2015), Conditions of work and employment programme
- Market Reviews and Annual reports
- Etc.

3a. Level and quality of employment

Preliminary avenues of desk research

Pressure on the **level of employment** at USPs continues

- Technological development (digital tools)
 - Changes in communication needs and preferences of citizens / consumers
- However, the situation varies across the Member States

Developments in technology, user needs and postal business models are changing the **quality of employment**, i.e. employment conditions and workforce skills mix

- More flexible employment conditions (e.g. part-time, on-call, self-employed)
- More performance-related pay (e.g. non-USP mail providers)
- Outsourcing and sub-contracting
- New demands for skills (e.g. driver's license, retail, ICT)

3b. Role of social partners

Data collection

Indicators

- Number of employees belonging to unions (unions data input is key for this..)
- Union density in the Member States

Cases

- Cases of successful cooperation between USPs and social partners
- Legal disputes over employment conditions

4. The universal postal service

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Important market developments

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Chapter 4

The universal postal service

- **USO scope and changes, incl. exemptions to the Postal Directive**
- **USO funding, net cost of the USO and cost accounting systems**
- **Key challenges and opportunities of the universal service provision**
- **Monitoring of quality of service**
- **Implementation of the tariffs principles specified in the Directive**
- **Financial implications of the terminal dues system**
- **VAT exemption**

5. Potential scenarios for the future provision of the USO

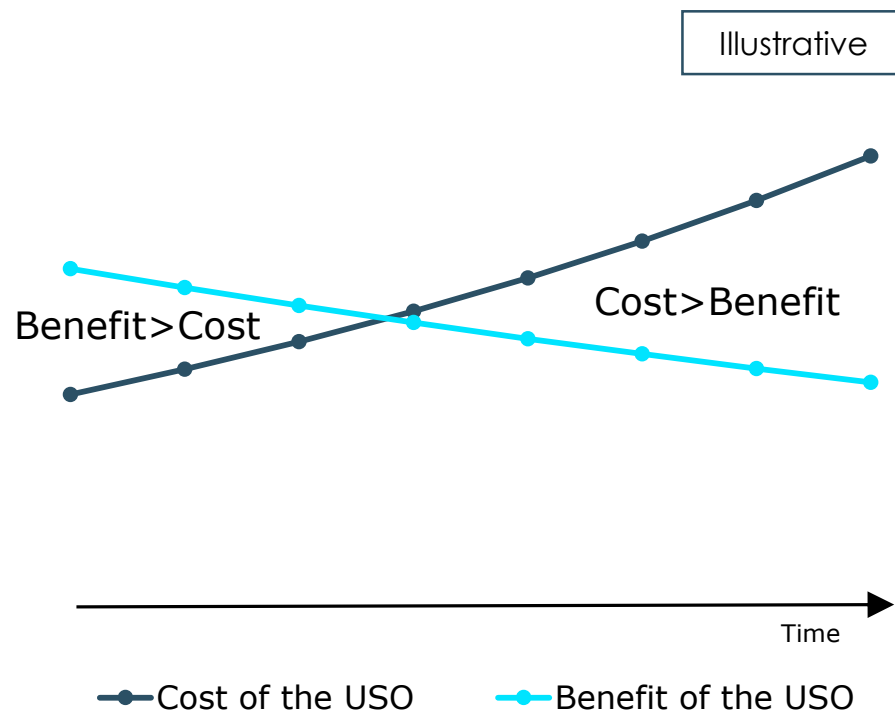
- Define **potential scenarios** for the future provision of the USO
- Assess the impact of potential scenarios on **USO costs and benefits**
- Zoom in on possible implications to different **users of postal services**

Chapter 5

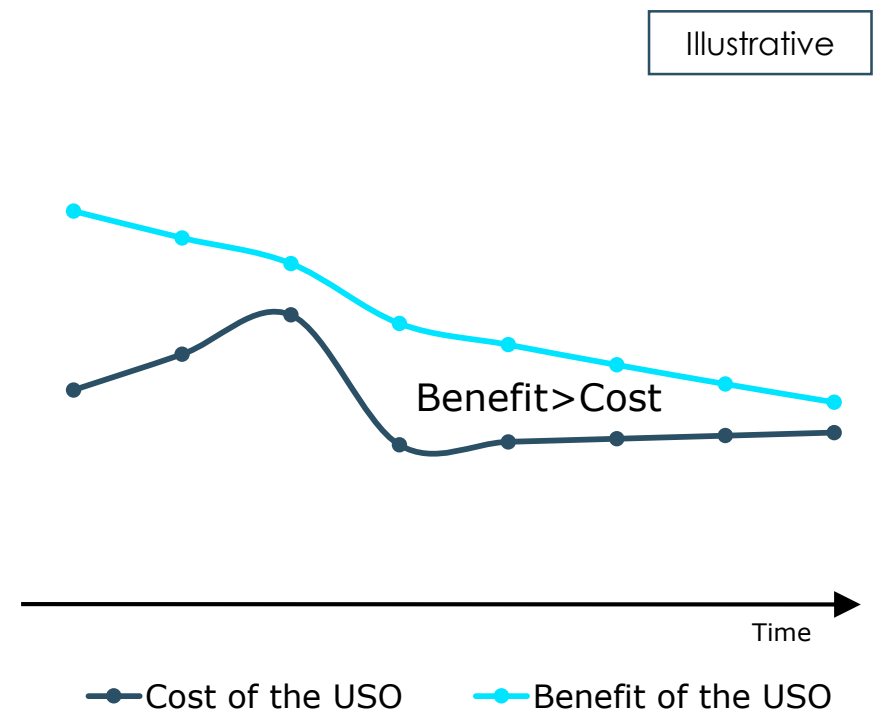
Potential scenarios for the future provision of the USO

5. Potential scenarios for the future provision of the USO

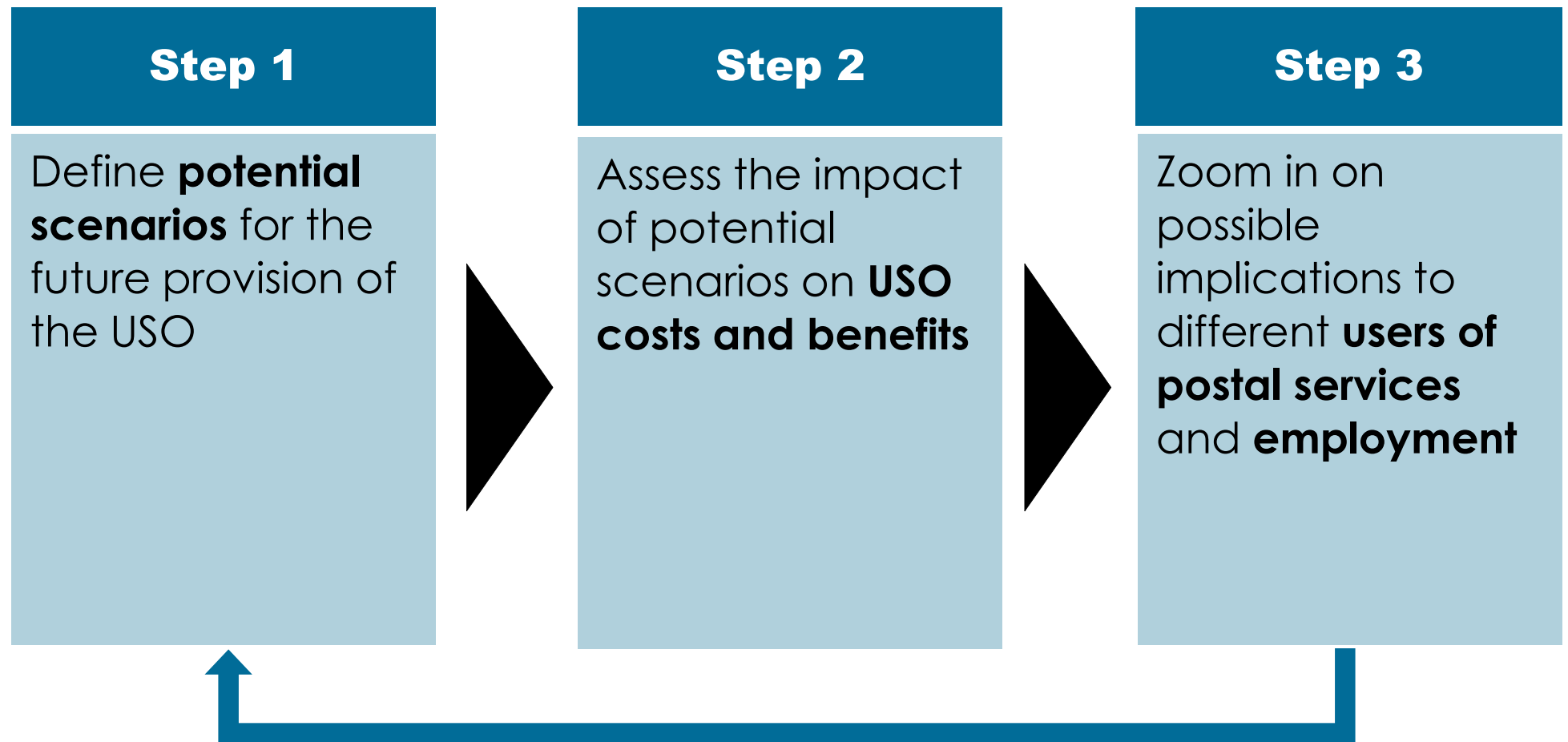
Market developments change the balance between USO costs and benefits



Regulatory changes may mitigate the negative impact on the cost/benefit balance



Our assessment consists of three steps



Methodology for assessing the impact of different policy options

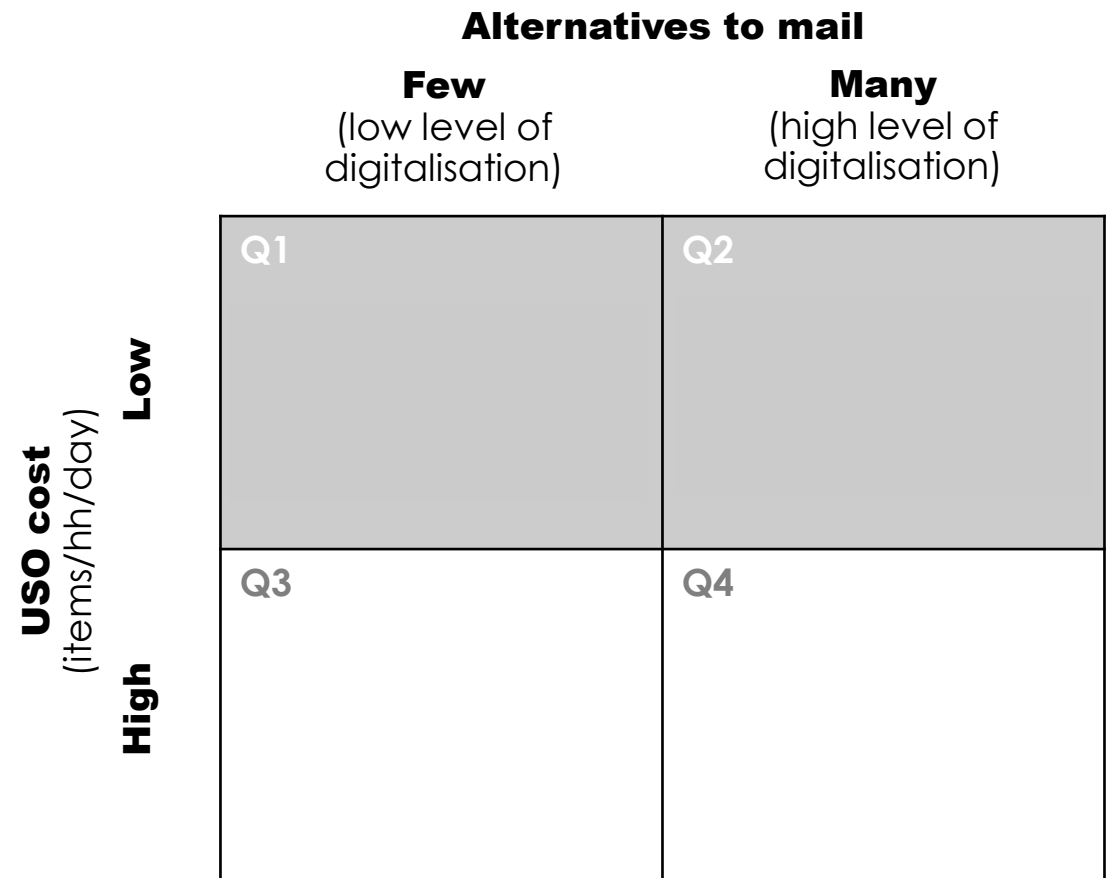
1. No country-specific analysis

2. Country level information used to define **four country groups**:

- ✓ Based on actual country data and qualitative assessment
- ✓ Help focus and **capture differences among Member States**

3. Different policy options:

- ✓ **Status quo** for each country group
- ✓ Other options to be defined based on information collected from **market stakeholders**



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We are collecting responses to questionnaires from NRAs and USPs

- 100+ indicators
- 32 countries
 - EU28 + Switzerland, Norway, Iceland and Liechtenstein



We will send a questionnaire to the European trade union associations

- Selected questions identical to the USP questionnaire
- Additional questions to identify contacts for interviews
- Collection of answers by mid/end of January 2018



And we are going to interview market stakeholders

- Trade unions
- PostEurop
- Consumer associations
- Non-USP mail providers



Thank you!

We look forward to be in touch with you for interviews.

QUESTIONS?

Hard facts. Clear Stories.

ABOUT COPENHAGEN ECONOMICS

Copenhagen Economics is the leading economic consultancy in the Nordic region. Founded in 2000, the firm counts more than 70 people and operates across the world. Global Competition Review (GCR) lists Copenhagen Economics as one of the top 20 economic consultancies in the world.

We provide independent advice based on recognised research methods, and our experts have in-depth sector knowledge.

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