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EUROPEAN COMMISSION Online and Postal services

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Workshop “Principles used to calculate the net costs of the postal universal service obligation” (1) “The pricing behaviour of postal operators and its effect on postal markets” (2)

In the morning, a presentation was given by Frontier Economics on item (1)

The aim of this workshop was to give an intermediate presentation of the study performed by Frontier Economics.

Since the publication of the postal directive, the Commission has ordered 27 studies on the postal sector (consult studies: http://ec.europa.eu/internal_market/post/studies_en.htm).

The scope of this study was to obtain answers from the 27 member countries as well as Norway and Croatia to a questionnaire which had been submitted to them.

What are the costs of the universal service obligations (USO) and the USO methods? Furthermore, what about cost accounting and cost allocation?

Sixteen (16) countries had not yet made a calculation of USOs. Twelve (12) had confirmed that such calculations had been made.

Some countries, EE/IT/NO/BE/ES, had done this annually from the obligation that, otherwise, they would lose the benefit of grants awarded by the State.

To me, it was clear that, in countries where no grants were given, no calculations were made.

The discussion is about the fact that, when an operator loses USO, they also lose the profits on USO products. And then we see how countries such as Belgium calculate USO losses and subtract those losses from the USO gains. And thus we obtain a real figure of the USO costs.

Then the study company also gave a preliminary list of possible intangible USO benefits. As there are: brand image, VAT exemption, monopoly over postal market, economics of scale, marketing effects, bargaining position with NRAs (national regulator authorities) and politicians.

The presentation of preliminary findings was followed by a debate on those findings:

- - efficiency adjustments to be seen as exception rather than the norm
- - intangible benefits are included in principle, but their quantification is unknown
- - reasonable profits on actions are accounted for

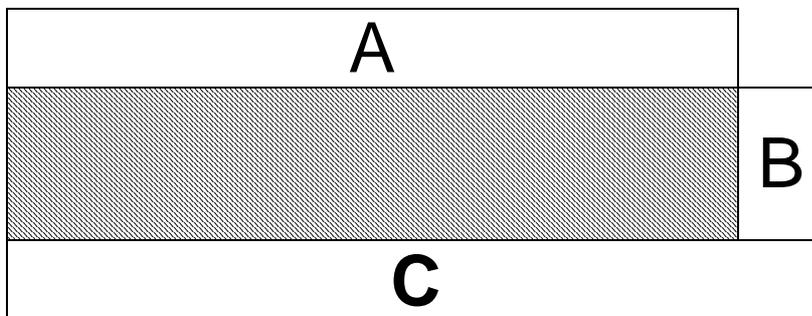
The study will be continued on key features of USO cost methods and finalisation of assessment of approaches to other elements.

The final workshop will take place on 8 November 2012.

USO – Universal service operators and obligations have been defined in the postal directive. USO (obligations) are of great importance as regards employment. Reason why national operators want to prove costs and, without interfering with the directive, wish to recover those costs from politics. Remains the question if the regulators as defined in art. 14 of the directive can or should play a role here, this in similarity with the telecom sector. Employment is an important item to us, trade unions. Staying away from the USO discussion is losing contact with the sector.

In the afternoon, a presentation was given by Copenhagen Economics on item (2), “the pricing behaviour of postal operators and its effect on postal markets”. After a period of collecting data from January to May, a number of workshops was held, in interaction with for example PostEurop. Reference was made, apart from the regulatory uncertainty, to lack of transparency, selective pricing, etc.

Drivers behind pricing strategies are competition, technological development, regulation.



- A. increased profit
- B. reduced demand
- C. cost saving

This chart indicates that increased pricing (A) results in reduced demand (B). A better result is achieved through cost saving (C). Only, here, more emphasis is put on flexibility asked from the personnel.

Bert Van Caelenberg attended those activities for Eurofedop.