

Is the universal service for “letters” sustainable?

John Hearn

This paper represents the personal views of the authors and should not be taken to represent the policy of ComReg, CERP, or any other organisation

POSTAL REFORM IN THE 19th CENTURY

For over a century letter post was the dominant form of commercial and personal communication

Rowland Hill (1837) presented a detailed business case for the introduction of a Universal Penny Post within the United Kingdom, based on simplified tariffs, faster services and the prepayment of postage.

The Penny Post started in January 1840, and postage stamps for the prepayment of postage, which became synonymous with the reforms, were introduced on 6 May 1840.

By 1855 21 countries across the globe had adopted Rowland Hill's principles

Treaty of Bern 1874 established the UPU - services were only provided for documents, distinguishing between letters (personal correspondence), on the one hand, and printed papers and commercial papers, on the other.

POSTAL REFORM IN THE 19th CENTURY

EIGHT KEY PRINCIPLES.

1. The services were provided directly by Governments.
2. The services were provided on a non-contractual basis under public law.
3. “Postage” was a non-negotiable fixed charge.
4. There were uniform charges within the state.
5. Prepayment of “postage” was the norm.
6. The “Post” acted as an intermediary between sender and addressee, rather than as the agent of either sender or addressee.
7. “Postage” was a government tax payable by users of the service.
8. The cost of providing the service was a charge on the Exchequer, This meant there was no matching of income and expenses.

USES OF THE POST

1. meeting the needs of commerce and trade,
2. cementing the social fabric of the nation
 - a) in Europe which witnessed significant urbanization, or
 - b) in new countries such as the USA, Canada and Australia, which needed not only to ensure cohesion between vastly dispersed settlements but also to provide links with families still living in Europe.

***This is the night mail crossing the Border,
Bringing the cheque and the postal order,
Letters for the rich, letters for the poor,
the shop at the corner, the girl next door.***

....

LETTER POST TRENDS

substitution of commercial and personal communications by electronic communications from the 1970's or earlier,

development and promotion of advertising or direct mail concealed the effect

This positive response to competition from other media meant that postal volumes continued to increase until at least the year 2000

According to WiK 89.3 billion letters in 2000

According to Copenhagen Economics volumes declined to 44 billion letters by 2020

UPU reported broadly similar trends worldwide

LETTER POST TRENDS

It is not unreasonable to conclude that Letter post is no longer the dominant form of commercial and personal communication.

New means of communication such as mobile phones and the internet in all its forms have become ubiquitous.

In other words Electronic communications and digitalization have usurped the role of the Post.

***This is the night mail crossing the Border,
Bringing the cheque and the postal order,
Letters for the rich, letters for the poor,
the shop at the corner, the girl next door.***

....

Evolution of letter post services in Europe

Article 3 of the EU's Postal Directive still prescribes the provision of a universal service for "items of correspondence" which guarantees, not less than five working days a week, one clearance and one delivery to the home or premises of every natural or legal person.

At least six European Countries have **reduced delivery frequency** in all or part of their country .

- ITALY
- FINLAND
- DENMARK
- NORWAY
- BELGIUM
- SWEDEN
- ? UK

Evolution of letter post services in Europe

And nine countries **no longer mandate next day delivery** of standard letters

- **AUSTRIA**
- **DENMARK**
- **FINLAND**
- **FRANCE**
- **LUXEMBOURG**
- **NORWAY**
- **ROMANIA**
- **SPAIN**
- **SWEDEN**

“We’re reluctant to go there because we constantly research what people want and people really value that next day service. So we want to keep that going for as long as possible.” Mr. David McRedmond (An Post)

Evolution of letter post services in Europe

ALL countries increased prices by more than the rate of inflation

Price increases since 2012	
	adjusted. for inflation
	2012-2021
Finland	281.5%
Italy	264.2%
Denmark	234.2%
Greece	203.7%
Estonia	175.8%
Slovenia	126.6%
Czech Rep.	120.7%
Belgium	113.9%
France	106.6%
Romania	101.2%
Ireland	99.4%
Sweden	98.1%

Price increases since 2012	
	adjusted. for inflation
	2012-2021
Spain	86.6%
Latvia	85.1%
Norway	69.4%
Poland	65.2%
Netherlands	55.4%
Portugal	43.3%
UK	33.3%
Slovakia	33.3%
Malta	31.6%
Germany	31.4%
Bulgaria	20.7%
Luxembourg	17.5%
Hungary	16.2%
Austria	16.2%
Cyprus	15.9%
Lithuania	5.0%

Evolution of letter post services in Europe

New 'premium' services

- **FRANCE**
- **IRELAND**

No significant competition despite market liberalization

The focus on parcel and e-commerce delivery

In contrast to the declining letter post segment, parcel volumes grew by around 14,6 per cent annually between 2017 and 2021

According to the UPU “an increasing proportion of the postal business is dependent on parcels and logistics. In 2020, for the first time, revenue from parcels and logistics accounted, on average, for more than 30% of postal operators’ overall revenue . At the same time, the proportion of revenue from letter post has continued to decline, dropping from an average of 35.4% in 2019 to 32.7% in 2020. This is the lowest average proportion ever observed.”

The focus on parcel and e-commerce delivery

This strategy is not without risk

1. Parcel markets are very competitive and there is no guarantee of success
2. delivery networks needed to deliver letters and parcels are fundamentally different.
 - “the evolution of the postal business beyond letter-post delivery raises doubts as to the strength of economies of scope between letters and parcels” (UPU)
3. management and investment will be focused solely on the parcel business, with all its commercial and competitive pressures and the prospects for growth. One of the reasons for the decline in letter volumes might be the failure to deploy sufficient resources

The focus on parcel and e-commerce delivery

This strategy is not without risk

1. Parcel markets are very competitive and there is no guarantee of success
2. delivery networks needed to deliver letters and parcels are fundamentally different.
 - “the evolution of the postal business beyond letter-post delivery raises doubts as to the strength of economies of scope between letters and parcels” (UPU)
3. management and investment will be focused solely on the parcel business, with all its commercial and competitive pressures and the prospects for growth. One of the reasons for the decline in letter volumes might be the failure to deploy sufficient resources

Still a need for letter post

1. While volumes have halved over the last two decades the absolute volume (44 bn) is still a sizeable number.
2. recent geopolitical crises and natural disasters point to the dangers of relying exclusively on electronic communications
3. it has to be questioned whether a lot of the e-substitution over the last decade is what the customer wants,
 - For the last year there has been significant concern about the increase in energy and other utility costs. Many of the major suppliers have been among the most prolific generators of e-substitution, with 'offers' of e-billing, 'level-pay' and payment by direct debit

AGENDA FOR CHANGE

- a. Specific legal obligations on governments to ensure the provision of the service either by designation of a state owned company or by procurement from commercial companies.
- b. Legal and commercial separation of letter and parcel businesses to ensure that there is a proper managerial and investment focus.
- c. A mandate to promote the use of the post and arrest the decline in volumes,
- d. A specific consumer right, as advocated by the keepmepostedeu.org campaign, to receive information, invoices, statements, etc through paper correspondence as standard and without penalty.
- e. A recognition that the post is a service of general economic interest which is unlikely to be provided by more than one company.

THANK YOU

John Hearn

**St Anthony's
35 Biscayne
MALAHIDE
Co. Dublin**

**00 353 1 845 3574
00 353 86 264 7054
john@john-hearn.eu**