

Study for the European Commission,  
DG Internal Market

# Survey on Some Main Aspects of Postal Networks in EU Adhesion Candidate Countries

## Part I: Overview of all Countries

Authors:

Alex Kalevi Dieke  
James I. Campbell Jr.

Bad Honnef, August 2003

The views and opinions expressed in this study  
are those of the authors and do not necessarily  
reflect the position of the European Commission.



## **ACKNOWLEDGEMENTS**

WIK wishes to acknowledge the considerable assistance of all parties that contributed to this survey. In particular, the authors gratefully acknowledge the intense cooperation of universal service providers, national regulatory authorities, and ministry officials in the thirteen countries surveyed. Many invested substantial time and resources in gathering, submitting, and discussing the information without which this survey would have been impossible.

WIK also gratefully acknowledges the many valuable inputs that were received from the European Commission's study team. Special thanks are extended to José Luís Saramago, who co-ordinated the Commission services' involvement in the study, as well as to Manfred Monreal, David Stubbs, and Fernando Toledano. Their challenging questions and comments contributed greatly to the value of this survey. Any errors, however, remain the responsibility of the authors.

The views and opinions expressed in this study are those of the authors and do not necessarily reflect the position of the European Commission.



## Contents

<b>Tables</b>	<b>III</b>
<b>Figures</b>	<b>VI</b>
<b>Abbreviations</b>	<b>VIII</b>
<b>Executive Summary</b>	<b>i</b>
<b>1 Objectives and Plan of Study</b>	<b>1</b>
1.1 Evolution of postal markets	1
1.2 Objective: a survey of AC and CC postal sectors	3
1.3 Approach and methodology	3
1.4 Market segmentation	9
<b>2 Overview of countries surveyed</b>	<b>11</b>
2.1 Basic information on enlargement countries	11
2.2 Significance of postal markets	15
<b>3 Postal Operators and Services</b>	<b>23</b>
3.1 USP revenues	23
3.2 USP employment, technology and automation	34
3.3 USP letter post services	41
3.3.1 Domestic letter post	41
3.3.2 Cross border letter post	50
3.4 USP parcel services	57
3.4.1 Domestic parcel post	57
3.4.2 Cross border parcel post	63
3.5 USP express services	70
3.6 USP unaddressed mail services	72
3.7 Competitive postal operators	72
<b>4 Universal postal service</b>	<b>75</b>
4.1 Scope of universal service in practice	75
4.2 Reserved service in practice	77
4.3 Access to universal postal services	78
4.4 Transparency of accounts	82
4.5 Quality of service	83
4.6 Postal tariffs	85

<b>5 Regulatory Framework</b>	<b>89</b>
5.1 Scope of universal service	93
5.2 Access to universal service	94
5.3 Reserved area and sole licenses	96
5.4 Authorisation, licensing, and compensation funds	99
5.5 Transparency of accounts and tariff principles	104
5.6 Quality of service	107
5.7 Complaints and redress procedures	109
5.8 Independent regulatory authority	110
<b>6 Major Conclusions</b>	<b>113</b>
<b>Appendices</b>	<b>125</b>
<b>Appendix 1: Exchange Rates</b>	<b>127</b>
<b>Appendix 2: Comment on the Quality of Time Series Data for Postal Volumes</b>	<b>129</b>

## Tables

Table 1-1:	Information Sources: NRAs and USPs	4
Table 1-2:	Availability of USP Revenue Data	6
Table 1-3:	Availability of USP Volume Data	7
Table 1-4:	Availability of USP Cross-Border Origin/Destination Data	8
Table 2-1:	Land and population	12
Table 2-2:	Population density and degree of urbanisation	12
Table 2-3:	Gross domestic product (GDP) in billion EUR	13
Table 2-4:	GDP per capita in Euros and PPS	14
Table 2-5:	Significance of postal market and postal sector employment	14
Table 2-6:	Perceived competitiveness of postal markets	18
Table 2-7:	Estimated USP market shares in postal market segments	18
Table 3-1:	USP total revenues, million EUR, 1998-2002	23
Table 3-2:	USP postal services revenues, million EUR, 1998-2002	26
Table 3-3:	USP financial services revenues, million EUR, 1998-2002	26
Table 3-4:	AC USP revenues, by group, 1998-2002	32
Table 3-5:	USP employment, 1998-2002	34
Table 3-6:	Estimated USP postal employment, 1998-2002	36
Table 3-7:	USP automation and sorting centres	40
Table 3-8:	Domestic letter post volumes, million items, 1998-2002	43
Table 3-9:	Average domestic letter post growth rates, 1998-2002	44
Table 3-10:	Possible revision of Polish letter post volumes, 1998-2001	45
Table 3-11:	Domestic letter post per capita and per GDP	46
Table 3-12:	AC domestic letter posts, by group, 1998-2001	49
Table 3-13:	USP outbound cross border letter post, million items, 1998-2002	50
Table 3-14:	USP inbound cross border letter post, million items, 1998-2002	51
Table 3-15:	USP cross border letter post, indices, 1998-2001	52
Table 3-16:	AC cross border letter post, by group, 1998-2001	54
Table 3-17:	Cross border letter post to/from EU and AC/CC, 2002	55
Table 3-18:	Intra AC/CC cross border letter post, 2002	56
Table 3-19:	USP domestic parcel volumes, thousands, 1998-2002	58

Table 3-20:	USP domestic parcels growth rates,1998-2002	58
Table 3-21:	USP domestic parcels per capita and per GDP, 2001	60
Table 3-22:	AC USP domestic parcels, by group,1998-2001	62
Table 3-23:	USP outbound parcel post volumes, thousands, 1998-2002	64
Table 3-24:	USP inbound parcel post volumes, thousands, 1998-2002	64
Table 3-25:	USP cross border parcel post, indices, 1998-2001	65
Table 3-26:	AC USP cross border parcel post, by group, 1998-2001	66
Table 3-27:	USP express services growth rates, 1998-2002	70
Table 4-1:	Universal service in practice: Delivery an clearance frequency	76
Table 4-2:	Actual competition within reserved area	77
Table 4-3:	Access to the public postal network: Postal outlets	81
Table 4-4:	Access to the public postal network: Clearance letter boxes	81
Table 4-5:	Accounting requirements in practice	82
Table 4-6:	USP quality of service: Monitoring, publication and performance	83
Table 5-1:	Postal acts	89
Table 5-2:	Ministries responsible for postal sector	90
Table 5-3:	National regulatory authorities	91
Table 5-4:	Legal status and ownership of USPs in 2003	92
Table 5-5:	Universal service required by law	93
Table 5-6:	Access requirements in law	95
Table 5-7:	Reserved area and sole licenses in law	97
Table 5-8:	Openings in reserved area/sole license	99
Table 5-9:	Authorisation of CPOs outside the universal service area	101
Table 5-10:	Authorisation of CPOs inside the universal service area	103
Table 5-11:	Tariff Regulation	105
Table 5-12:	Accounting requirements in law	106
Table 5-13:	USP quality of service requirements	108
Table 5-14:	Complaint and redress procedures	110
Table 5-15:	Key features of the NRA	111
Table 6-1:	AC and CC coverage of key regulatory issues	118



Table A1-1:	Currency exchange rates	127
Table A2-1:	Comparison of UPU and USPQ domestic letter post data, 1998-2001	129
Table A2-2:	Annual variation in domestic letter post, 1999-2002	131
Table A2-3:	Comparison of USPQ and UPU domestic parcel post, 1998-2001	133
Table A2-4:	Annual variation in parcel letter post, 1999-2002	134

## Figures

Figure 1-1:	The strategic location of the postal services market	1
Figure 2-1:	Enlargement: Land area, population, and GDP in 2001	11
Figure 2-2:	Estimated total postal services market, by country, 2002	16
Figure 2-3:	Estimated total postal services market, by submarket, 2002	16
Figure 2-4:	USP and estimated postal sector employment, 2002	20
Figure 3-1:	Size of USPs in AC, CC and selected member states	24
Figure 3-2:	Sources of USP revenues, 2002	24
Figure 3-3:	USPs: annual growth and profitability, 1998-2002	25
Figure 3-4:	Growth rates of USP revenue sources, 1998-2002	27
Figure 3-5:	Sources of USP revenue by USP, 2002	28
Figure 3-6:	Sources of postal revenue, by USP, 1998-2002	28
Figure 3-7:	Composite sources of postal revenue, selected USPs, 2002	29
Figure 3-8:	Letter post revenue and volume growth rates, 1998-2002	30
Figure 3-9:	Parcel revenue and volume growth rates, 1998-2002	30
Figure 3-10:	USP labour intensity, 1998 and 2002	34
Figure 3-11:	Growth in labour cost and revenue per employee, 1998-2002	36
Figure 3-12:	Letter post per employee v. letter post per capita, 2001	38
Figure 3-13:	Automation: USP sorting centres and letter post volumes	40
Figure 3-14:	EU, AC, and CC domestic letter post volumes, 2001	42
Figure 3-15:	Domestic letter post volumes, shares, 2001	42
Figure 3-16:	Domestic letter post and GDP growth rates, 1998-2001	44
Figure 3-17:	Letter post per capita v. GDP per capita	46
Figure 3-18:	Cross border letter post (OCB+ICB) shares, 2001	50
Figure 3-19:	USP cross border letter post compared to domestic, 1998-2001]	52
Figure 3-20:	Cross border letter post to/from EU and AC/CC, shares, 2002	54
Figure 3-21:	USP domestic parcel post, shares, 2001	57
Figure 3-22:	Parcel post per capita v. GDP per capita	60
Figure 3-23:	USP cross border parcel post (OCB+ICB) shares, 2001	63
Figure 3-24:	USP cross border parcel post compared to domestic, 1998-2001	66
Figure 3-25:	Cross border parcel post to/from AC/CC, EU shares, 2002	68
Figure 3-26:	Cross border parcel post to/from EU, AC/CC shares, 2002	68

Figure 4-1:	Access to universal services: population density, December 2002	79
Figure 4-2:	Access to universal services: “spatial density”, December 2002	79
Figure 4-3:	Postal rates for standard letters, 2003, 20g, EUR and PPS	85
Figure 4-4:	Average annual rate increase for 20g standard letters, 1998-2003, (calculated from EUR prices)	86
Figure 6-1:	AC, CC, and EU USPs letter post and parcels per capita, 2001	114
Figure 6-2:	AC, CC, and EU USPs letter post and parcels per GDP, 2001	115

## Abbreviations

AC	Adhesion country: Ten countries that will join the European Union in May 2004, namely Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia.
AT	Austria
BE	Belgium
BG	Bulgaria
BGP	Bulgarian Posts
CAGR	Compound annual growth rate, average growth rate calculated over a multiple-year period
CC	Candidate country, i.e., one of 3 countries being considered for entry into the European Union, namely, Bulgaria, Romania, Turkey.
CEN	European Committee for Standardisation
Commission	European Commission
CP	<i>Colis postal</i> , parcel post
CPO	Competitive postal operator, i.e. postal operators other than the universal service providers (the latter being equal to the public postal operator in all countries surveyed).
CY	Cyprus
CZ	Czech Republic
D+n	Delivery n days after posting
DE	Germany
DK	Denmark
Dom	Domestic
ECJ	European Court of Justice
EE	Estonia
EFTA	European Free Trade Area
EL	Greece
EN	Official European Standard
ES	Spain
EU	European Union
EU high	A basket of 3 EU member state posts (DE, FR, UK ) with high letter post volumes per unit of GDP.
EU low	A basket of 3 EU member state posts (EL, IR, IT) with low letter post volumes per unit of GDP.

EU-6 LP	A basket of 6 EU member state posts (ES, IR, IT, LU, PT, UK) developed to provide approximate average EU values for cross border letter post in the absence of more complete data.
EU-6 CP	A basket of 6 EU member state posts (EL, ES, FR, IR, IT, PT) developed to provide approximate average EU values for cross border parcel post in the absence of more complete data.
EU-10	A basket of 10 EU member state posts (DK, DE, EL, ES, FR, IR, IT, LU, PT, UK) developed to provide approximate average EU values for domestic letter post in the absence of more complete data.
FR	France
GDP	Gross Domestic Product
HU	Hungary
ICB	Inbound cross border (receipt)
IR	Ireland
IT	Italy
LP	Letter Post
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
na	Not available, i.e., the datum does not exist.
nd	No data, i.e., there is no information on whether or not the datum exists.
NL	The Netherlands
NRA	National Regulatory Authority for postal services
NRAQ	Information received by NRAs of ministries in response to survey questionnaires.
O.J.	Official Journal (of the European Communities)
OCB	Outbound cross border (dispatch)
OCR	Optical Character Recognition

Pcs	Pieces (of postal items)
PL	Poland
PLC	Public Liability Company
PPS	Purchasing Power Standard, developed and updated by OECD/Eurostat
PT	Portugal
Rev	Revenue
RO	Romania
SE	Sweden
SF	Finland
SI	Slovenia
SK	Slovakia
Sq. Km	Square kilometre
TR	Turkey
UK	United Kingdom
UNEX	Unipost External Monitoring System
UPU	Universal Postal Union
USO	Universal Service Obligation
USP	Universal Service Provider
USPQ	Information received by USPs in response to survey questionnaires.

## Executive Summary

### Major Conclusions

- The postal market in the accession countries (AC) generates about 2.5 billion Euros in total revenues and the postal sector directly employs about 320,000 persons. In the candidate countries (CC), the postal market is approximately 0.6 billion Euros and direct sector employment is about 120,000 persons.
- With a few possible exceptions, the overall volume of postal services provided by AC and CC USPs is within the range of volume levels achieved by EU member state USPs when differences in economic development are taken into account.
- With a few possible exceptions, AC and CC USPs provide regular, affordable, and accessible universal postal service but (i) definition, transparency, and monitoring of quality of service and (ii) separation of USP accounts and allocation of costs are inadequate from a EU perspective.
- AC and CC countries have made rapid and substantial progress in addressing and introducing the norms of the Postal Directive into national law, but there are significant variations among countries and much work remains to be done.
- A regular, principled, and compulsory system of producing regulatory and market data for the postal sector needs to be developed for all countries and principal postal operators in the enlarged Community.
- The postal situation in Poland warrants further study for three reasons: (i) substantial regulatory changes have been adopted after completion of this survey; (ii) an overall pattern of declining USP mail volumes and sharply rising USP prices raises concerns; and (iii) Poland represents almost half of the total AC postal market.

This report offers the first comprehensive survey of the postal systems in the ten “accession countries” (AC) that will join the European Union in May 2004 and the three “candidate countries” (CC) that are being considered for future membership. The AC countries are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia. The CC countries are Bulgaria, Romania, and Turkey.

The purpose of this report is to review the regulatory and market circumstances in the postal sectors of the thirteen AC and CC countries. In the last decade the postal sector of the European Union (EU) has been the subject of intense scrutiny and major reform.

After almost a decade of study and public debate, the EU adopted a Postal Directive (Directive 97/67/EC). The Postal Directive was extended by amendment in 2002 (Directive 2002/39/EC). In postal terms, the thirteen AC and CC countries now face the daunting task of jumping aboard a moving train.

This report is based on four primary sources of information. First, universal service providers (USPs—the public postal operators in all countries surveyed) and national regulatory authorities (NRAs) from the thirteen AC and CC countries completed detailed questionnaires prepared by WIK. Second, WIK interviewed representatives of all USPs and NRAs, visiting nine of the countries surveyed. Third, WIK assembled and reviewed a compilation of legal and regulatory texts from AC and CC countries. Fourth, WIK consulted statistics published by the Universal Postal Union (UPU).

To place this report in perspective, it should be noted that the AC countries have about one quarter of the land area and one fifth of the population of the fifteen EU member states. GDP per capita in the AC countries is only about 24 percent of the GDP per capita in the EU, although AC countries grew at an average annual rate of 11 percent in the period 1998 to 2001. In 2001 total GDP for the AC countries was 4.7 percent that of the EU. The three CC countries have roughly a quarter of the EU population and occupy more than one third of the EU land area. GDP per capita in the CC countries is less than half that in the AC countries and declined at an average annual rate of 2 percent over the last five years. In 2001, total GDP for the CC countries was only slightly more than 1 percent of the EU.

### ***Total postal market***

Today the total postal market is considered to embrace the collection, transportation, and delivery of all types of letters, documents, printed matter, and parcels by all types of public and private operators. The total postal market is customarily divided into two broad categories: universal services and non-universal services. Universal services are those that a modern society expects to be available to all citizens on a nationwide basis. Collection and delivery of the “letter post” – letters, newspapers, direct mail (addressed advertisements) – and small parcels (weighing less than 10 or 20 kg) are considered to be “universal services”. A “universal service provider” (USP) is a postal operator obliged by law to maintain part or all of the national universal service. In each of the AC and CC countries, the public postal operator is the only USP. Non-universal services include large parcel services, express delivery services, delivery of unaddressed advertisements, and document exchanges

In the ten AC countries the total postal market generates about € 2.5 billion in revenues and employs approximately 322,000 persons in the entire sector (about 206,000 persons are directly related to postal operations). In the three CC countries, the total postal market generates about € 0.6 billion in revenues and the postal sector employs



about 120,000 persons (79,000 direct employment<sup>1</sup>). These estimates of the total postal market in AC and CC countries are based on extrapolations of USP data and market ratios developed in detailed studies of EU markets. They should therefore be considered as very approximate.

### ***Postal operators and services***

In each AC and CC country, the overall postal market is dominated by a public USP. Comparisons to EU USPs may be helpful to visualise the relative sizes of AC and CC USPs as national post offices. The three largest AC USPs are, in descending order, Poczta Polska (Poland), Magyar Posta (Hungary), and Česká Pošta (Czech Republic). They comprise about 75 percent of the AC USP postal market. In terms of domestic letter post volume, these USPs are smaller than the Austrian USP and larger than the Irish USP. There are two medium-sized AC USPs: Slovenská Pošta (Slovakia) and Pošta Slovenije (Slovenia). They are roughly the size of the Greek USP. Finally, there are five small AC USPs: the three Baltic USPs, Eesti Post (Estonia), Lietuvos Paštas (Lithuania), and Latvijas Pasts (Latvia), and two Mediterranean island USPs, the Cyprus Department of Postal Services and Maltapost (Malta). Each is considerably smaller than the USP of Luxembourg. The Turkish PTT General Directorate is similar in size to Magyar Posta, i.e., a bit larger than the Irish USP. Posta Romana (Romania) is roughly the half the size of the Greek USP, while Bulgarian Posts is about the size of the Eesti Post, the largest of the small AC USPs.

The AC and CC USPs are large commercial enterprises in their respective countries. In many cases, their commercial activities extend far beyond postal services. In 2002, about 42 percent of the € 3 billion in revenue earned by AC USPs were derived from nonpostal sources, primarily financial services. In contrast to trends among EU member state USPs, the financial importance of nonpostal revenues has declined substantially over the last five years because postal revenues have been the fastest growing source of revenue. Between 1998 and 2002, AC USPs experienced an average growth of 9 percent in all revenues while revenues earned from postal services grew by 14 percent. Postal revenues have increased partly by sharp increases in postage rates (notably in Poland) and partly by healthy increases in postal volumes (e.g., Hungary and Slovenia), with the mix varying from USP to USP. The three CC USPs earned about € 0.6 billion in 2002. The Turkish PTT General Directorate is wholly dependent on revenue from postal services, but Posta Romana and Bulgarian Posts derived two-thirds of their revenues from nonpostal activities. Overall, CC USP revenues grew at about 8 percent per year during the period 1998 to 2002.

---

<sup>1</sup> Persons directly employed in postal operators and involved in the provision of postal services; i.e. excluding USP employment involved in the provision of non-postal, e.g. financial services.

Labour accounted for about 59 percent of total costs for AC USPs in 2002, a significantly lower proportion than among EU USPs. Since AC USPs are substantially engaged in nonpostal activities and employment figures are not allocated between postal and nonpostal activities, labour productivity in respect to postal services can only be estimated. Moreover, it appears that postal labour productivity is strongly influenced by mail density; that is, the more mail per capita, the easier it is to improve postal labour productivity. Taking such considerations into account, WIK estimates that the Cyprus Department of Postal Services, Maltapost, and Pošta Slovenije are roughly comparable to the USPs of Ireland, Portugal, and Spain in terms of postal labour productivity. Magyar Posta and Slovenská Pošta appear roughly comparable to the Italian USP. For the remaining AC and CC USPs (except the Turkish PTT General Directorate for which no information is available), lower levels of postal labour productivity seem to be due in large measure to lower mail density.

In respect to postal services, the most fundamental measure of a USPs' success is mail volume. Regardless of what analysts may conclude about affordability, or accessibility, or quality of service, mail volume reflects customers' judgements about the suitability of postal services to their needs. Even with a legal monopoly, poor postal services attract low volumes of mail. However, in order to use mail volume data to compare the performance of USPs, it is necessary to adjust for differences in national population and levels of economic development (economic activity is the key driver of postal traffic). This is the approach used in this report.

For all AC and CC USPs, the primary postal activity remains the letter post, which accounts for about 87 percent of postal revenues. Although time series letter post data are suspect, it appears that the volume of letter post mail grew at about 6 percent per year during the period 1998 to 2002 for AC USPs in all geographic regions. The major exception to this trend was Poczta Polska, whose letter post volume remained flat or declined. If the number of letter post pieces per capita in 2001 is adjusted to reflect lower levels of economic development, it appears that letter post volumes in AC and CC countries are roughly comparable to those in EU member states. Only Latvia can be considered definitely below the minimum current level of postal development in the EU, while Lithuania and the three CC countries may be regarded as borderline cases. At the other end of the spectrum, on an GDP-adjusted basis, Hungary, Slovakia, and Slovenia have letter post volumes exceeding those in the U.K. Even if one disregards economic development, letter post volume per capita is at least comparable to that in Greece (Slovenia is comparable to Ireland) except for two of the Baltic states and the three CC countries.

A review of the cross border letter post shows that AC USPs are about as self sufficient as EU USPs, with outbound and inbound letter posts amounting to only 4 and 5 percent, respectively, of AC domestic letter post. The CC USPs are more dependent on cross border mail. For CC USPs, the outbound letter post is 6 percent of the domestic

## Executive Summary

letter post, and the inbound letter post is 11 percent of the domestic letter post. The AC USPs receive about 4 pieces of letter post mail for every 3 sent abroad; for the CC USPs the ratio is closer to 5 to 3. AC and CC countries are thus net importers of mail although not so much so as Ireland and Italy. The AC and CC countries send about 53 percent of cross border letter post mail to EU member states and receive about 70 percent of their cross border mail from the EU. These percentages have remained stable during the five years ending 2002.

Parcel services account for about 9 percent of USP postal revenues. In the parcel market, AC USPs have generally attracted more business than their EU counterparts. After adjusting for differences in economic development, it appears that Česká Pošta, Eesti Post, and Slovenská Pošta have relatively greater parcel volumes than the French USP, a major EU parcel post operator, with Magyar Posta not far behind. In absolute terms, Poczta Polska, with about 24 million parcels per year, is 30 percent larger than the Spanish USP but only 75 percent of the Danish parcel post. Česká Pošta's parcel post is comparable to the Spanish parcel post. Despite past successes, for most AC USPs the volume of parcel traffic has remained flat or declined over last five years, although by way of exception Pošta Slovenije's parcel post has grown more than 20 percent per year during this period. The USPs of Lithuania, Cyprus and Malta, and the CC countries all report little parcel post activity.

Express services contribute about 2.6 percent of USP postal revenues. In express services, AC and CC USPs face stiff competition from large international CPOs especially in the cross border market. Among AC USPs, only Magyar Posta, Poczta Polska, Pošta Slovenije, and Slovenská Pošta have significant domestic express services. Their domestic express services have grown substantially with the exception of Poczta Polska. In the cross border express market, however, Poczta Polska has been able to expand its outbound volume modestly while the other major AC USPs have seen declines. Eesti Post and Lietuvos Paštas have also recorded substantial gains in outbound express mail services. Among CC USPs, Posta Romana and Bulgarian Posts have made good progress in express services, while the Turkish PTT General Directorate has lost business.

Delivery of unaddressed mail is also a significant segment of the USPs' postal business. It accounts for about 1.5 percent of total revenues. Ten of the thirteen AC and CC USPs reported unaddressed mail operations in 2002. The best established are those of Eesti Post, Magyar Posta, Poczta Polska, Posta Romana, and Pošta Slovenije. Three of these USPs (EE, HU, SI) have been successful in expanding their business substantially over the last five years; for Poczta Polska and Posta Romana, the unaddressed mail business has been flat or in decline. The other five USPs surveyed (BG, CY, LT, MT, SK) have begun unaddressed mail – or begun separate accounting for unaddressed mail – only in the last five years; it is too early to characterise their progress.

Competitive postal operators (CPOs) play an increasingly important part in the postal markets of all AC and CC countries and operate in various market segments. Two basic types of operators may be distinguished. First, international CPOs, led by the four global private express companies, DHL, FedEx, TPG, and United Parcel Service. All are present in each of the thirteen countries surveyed. In addition, some USPs from neighbouring countries (e.g., Sweden and Austria) have set up operations in AC and CC countries. The second type of CPO is the domestic operator. There are numerous local, mostly small, private postal operators in each AC and CC country. In Poland and Hungary, however, there are some strong local providers of parcel service. Information on CPOs in this report is limited because they declined to participate in this study.

### ***Universal postal service***

All AC and CC USPs provide a universal postal service that is consistent with minimum EU requirements in major respects. In all countries, USPs report regular nationwide delivery of correspondence weighing up to 2 kg and parcels weighing up to 10 kg five days per week. In a few countries, delivery is less than five days per week in selected areas but these appear to fall within the ambit of “exceptional geographic conditions” envisioned in the Postal Directive. Accessibility to universal postal service seems reasonable in all AC countries; in the CC countries, however, accessibility might be considered inadequate in some respects, especially in Turkey.

In terms of quality of service, although specific domestic standards are left up to member states, the Postal Directive implies that, at a minimum, 85 percent of domestic correspondence in the “fastest standard category” should be delivered by the second day after posting. Seven or eight AC USPs (Magyar Posta data are unclear) and one CC USP (Bulgarian Posts) report meeting this standard. Only one AC USP, Cyprus Department of Postal Services, reports failing to meet this standard (but improvement in 2004 is expected), and one other, Latvijas Pasts, reports no data on quality of service. Two CC USPs (RO, TR) likewise report no data.

This survey does, however, reveal two major causes for concern in respect to the provision of universal service: (i) a lack of independent monitoring of quality of service and (ii) an absence of accounting controls. Only three countries (CZ, HU, SK) so far meet Postal Directive standards in respect to the publication and monitoring of quality of service. Only two USPs, Česká Pošta and Slovenská Pošta, report compliance with the Directive’s requirements regarding allocation of costs and separation of universal and reserved service accounts.

### ***Regulatory framework***

Among AC and CC countries almost all have fundamentally reformed their postal law in the last two years. Some have done so in the last two months. Because postal legislation is so recent, in many cases implementing regulations have not yet been adopted or even drafted, and national regulatory authorities (NRAs) are still getting organised. Nonetheless, the basic outlines of a new regulatory framework are visible.

## Executive Summary

All AC and CC countries have legally embraced a formal guarantee of “permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users”. All require nationwide delivery (sometimes saving exceptional circumstances) of correspondence up to 2 kg and parcels up to 10 kg. On the other hand, some of the finer points of the Directive have not yet found their way into national laws and regulations. Several countries fail to require specifically that inbound cross border parcels weighing up to 20 kg must be provided universal service. Most fail to require publication of complaints in respect to the universal service.

In brief, the overall progress of the AC and CC countries towards embracing the regulatory principles of the Postal Directive may be summarised as follows. No AC or CC country has fully embraced all of the key legal principles of the Directive. Most countries, however, appear to have made substantial progress towards legal adoption of key regulatory principles of the Postal Directive. A handful of countries have made some progress while lagging behind in specific respects. In two countries, postal modernisation has been especially slow. Poland has only just adopted a new postal law, while Turkey has not yet started to address postal reform.<sup>2</sup>

In WIK’s view, these results are fairly encouraging. From a legal standpoint, many of the AC and CC countries have taken big strides towards adopting the norms of the Postal Directive in a period of time that is quite short compared to the duration of the postal reform debate in the EU. Among the primary areas of reform emphasised in the Postal Directive, authorisation of CPOs is the area that appears to need most attention. Only two countries, Estonia and Slovenia, have formally limited their reserved areas to meet the requirements of Directive 2002/39. Moreover, there is a definite tendency in some countries (e.g., BG, CY, EE, HU, MT) to adopt (although perhaps not enforce) overly restrictive authorisation procedures that can limit competition in the universal service area outside the reserved area and even outside the universal service area. Legal standards for accounting clearly require sharpening in some countries (e.g., BG, CZ, EE, LV). And in some countries, legal standards for quality of service and oversight are lacking (e.g., HU, LT, LV, SI) and the independence of the NRA appear to be questionable (e.g., CY, CZ, EE). In short, much progress has been made, although much more needs to be accomplished.

---

<sup>2</sup> We offer no view on Polish postal reform law because that law has been fundamentally revised during the course of preparing this report. Although this new law reportedly passed Parliament on June 12, 2003, no translation of the new law was available and we were informed that translation of earlier drafts were unreliable indicators of the new law. The Turkish law dates from 1950, and no translation is available. Based on responses of the USP (PTT General Directorate), we conclude that (unsurprisingly) the 1950 Turkish law did not address any of the key principles of the Postal Directive.

***Additional studies recommended***

Finally, this report recommends that the Commission consider two additional follow up studies.

The first recommended study would develop a principled basis for a compulsory system of regular reports on regulatory and market activities in the postal sector. Ad hoc surveys of the major public and private actors in the postal markets of 25 member states (after May 2004) will likely prove inadequate to the needs of the Commission in the future. Unless data categories are defined in advance, collection of data is costly, time-consuming, and unreliable. The resulting statistics cannot be compared on a year to year or country to country basis. To the extent that this survey has succeeded in developing any comparative data for AC and CC postal markets, much of the credit is due to the establishment of standard statistical categories by the Universal Postal Union (UPU). While the UPU statistical system is insufficient to evaluate the progress of EU postal markets under the Postal Directive, it should serve as the starting point. As part of this study, WIK recommends a careful and scholarly weighing of the appropriate balance to be struck between, on the one hand, the real economic and competitive costs of collecting and publicising such data and, on the other hand, the public interests served by doing so. Once a proper balance is found, it appears that reports should be required of all major actors (including private operators) in the postal markets to forestall an increasing tendency among public and private operators towards freeriding.

The second recommended study would carefully review the postal situation in Poland in light of the new postal law. Poczta Polska is the largest USP in the largest AC country. The vitality of its universal postal service is therefore especially important to the AC countries. In fact, however, this survey has revealed a number of questions about the evolution of universal service in Poland. Because the new postal law has not been available, the regulatory mechanisms and norms which might address these issues are unknown. In light of these circumstances, further study of the entire postal sector in Poland appears to be warranted.

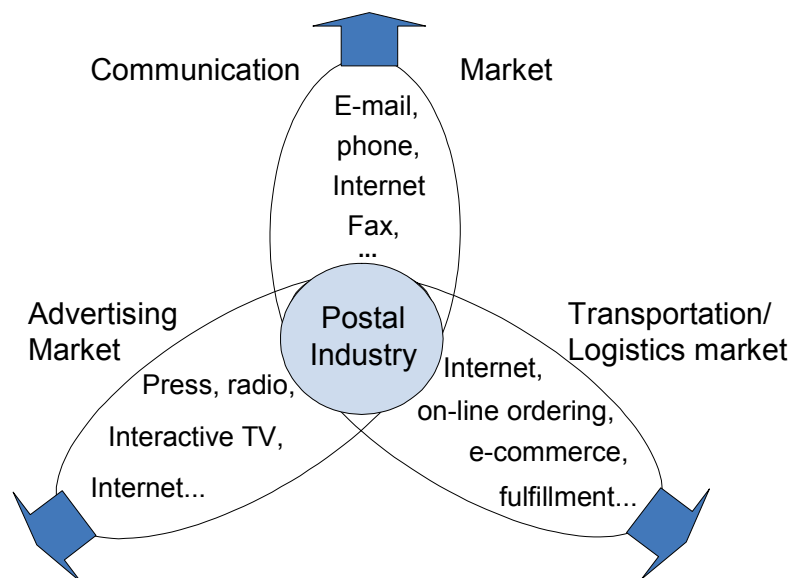
# 1 Objectives and Plan of Study

## 1.1 Evolution of postal markets

As the Commission has often recounted, the postal industry in the European Union (EU) lies at the crossroads of three markets important for economic development: communications, advertising, and transportation (including logistics). These markets are generally open to competition. Impelled by shifting market demands and improving technological capabilities, they are undergoing rapid development. If it is to retain its vitality and economic role in the future, the postal sector must develop in harmony with these closely related markets.

This is more easily said than done. Public postal operators straddle the boundary between traditional, nationally-based, universal public services and a kaleidoscope of rapidly evolving communications and transportation services supplied by an ever-changing cast of couriers, logistics firms, telecommunications services, and internet operators (to name but a few). For a century and a half, revenue from the carriage of letters sustained development of large public postal systems, which facilitated the social, intellectual, and commercial relations of society. Today, the eventual decline of

Figure 1-1: The strategic location of the postal services market



letter revenue is in plain view, yet public demand for assured universal delivery systems remains strong. The need to modernise the rules governing public postal operators and the larger world of postal markets has become apparent.

The European Union (EU) has made a good start on this task. In 1997, after a decade of study and public debate, the EU adopted a directive on postal services, Directive 97/67. The Postal Directive generally raised standards for universal service, limited the scope of reserved services, and strengthened requirements for transparency and impartial governmental regulation.<sup>3</sup> In 2002, a second directive, Directive 2002/39, extended the norms of the Postal Directive, accelerating transformation of the European postal sector into a more flexible, responsive, and commercially viable service.<sup>4</sup> In 2006, the European Commission is scheduled to make proposals to the European Parliament and Council on further reforms, if appropriate, to take effect in 2009. Meanwhile, stimulated by the European policy review, several member states are moving ahead more quickly still.

The postal systems in thirteen countries that have applied to join the European Union are now facing the task of rapidly matching the pace of adaptation the EU has taken fifteen years to achieve. These include the postal systems of ten countries that have been accepted for admission into the EU in May 2004, the “adhesion” or “AC” countries: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia. Also under pressure to transform quickly are the postal systems in three additional countries that are candidates for admission to the EU in the future, the “candidate” or “CC” countries: Bulgaria, Romania, and Turkey.

Extension of the Postal Directive to the AC and CC countries will raise a number of issues affecting the functioning of the single regional market established by the EU. The Postal Directive is premised on completion of a single postal market through gradual and controlled liberalisation of the market while assuring universal postal service. Successful extension of the single market to the AC and CC countries in line with these two principles will be influenced by their specific commercial and regulatory circumstances. For these reasons, a good understanding of the postal sectors in the AC and CC countries is urgently required.

- 
- <sup>3</sup> Directive No 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of community postal services and the improvement of quality of service - OJ L 15, 21.1.98. In this report, the term “Postal Directive” refers to Directive 97/67 as amended by Directive 2002/39. Where it is necessary to distinguish between the two directives, they are referred to by number.
- <sup>4</sup> Directive 2002/39, amending Directive 97/67/EC with regard to the further opening to competition of Community postal services - OJ L 176, 5.7.2002.



## 1.2 Objective: a survey of AC and CC postal sectors

This study collates and examines data relating to the regulatory and market circumstances in the postal sectors in the thirteen AC and CC countries of Eastern Europe. The objective of this study is to assist the Commission in their assessment of the actual market situation, the importance of the postal sector, and the functioning of the universal service provider (USP) and national regulatory authority (NRA) in each AC and CC country.

This report is presented in two parts. Part I (this document) provides an overview of the survey findings and conclusions for all AC and CC countries. A separately bound Part II contains thirteen detailed country reports.

## 1.3 Approach and methodology

The present study describes and evaluates the postal markets in the AC and CC countries according to the conceptual framework adopted in the Postal Directive. Chapter 2 of the report describes briefly the total postal market in the AC and CC countries. Chapter 3 describes in detail the major postal operators and services in each country. Chapter 4 considers how these markets operate *in practice* in respect to the main elements of universal postal service as set out in the Postal Directive: scope of universal service, reserved services, access, transparency of accounts, quality of service, and complaint and redress procedures. Chapter 5 examines how well the postal laws and regulations of the thirteen countries comply *in law* with the legal requirements of the Postal Directive. This organisation is adopted both in the overall survey of AC and CC countries (Part I) and in the examination of individual countries (Part II). At the end of Part I, Chapter 6 sets out summary conclusions.

In compliance with the Terms of Reference, WIK began its survey by gathering basic information about the postal market structure using the most practical and cost-effective tools including information from postal specific internet sites, USP annual reports, statistics from the Universal Postal Union (UPU), and information publicly available from Competitive Postal Operators (CPOs) or associations of them.

This initial base of information was expanded by the three primary research efforts of this study: First, detailed questionnaires were submitted to the USPs, NRAs, and the major CPOs. These questionnaires were finalised only after extensive consultation with Commission staff. Second, questionnaires were followed by personal and telephone interviews with as many actors as possible. Third, a database of laws and regulations was compiled from several sources – including the Commission's files, the internet, and national governments – and carefully analysed.

## Section 1: Objectives and Plan of Study

Table 1-1: Information Sources: NRAs and USPs

		NRAQ Answer	NRA Interview	Post Law	Post Regs	USPQ Answer	USP Interview	USPQ Data	UPU Data	USP Ann. Rpt
Bulgaria	BG	X	X	X	X	X	X	X		X
Cyprus	CY	X	X	X	X	X	X	X	X	
Czech Rep.	CZ	X	X	X	X	X	X		X	X
Estonia	EE	X	X	X	X	X	X	X	X	
Hungary	HU	X	X	X	X	X	X	X	X	
Lithuania	LT	X	X	X	X	X		X	X	
Latvia	LV	X	X	X	X	X	X	X	X	
Malta	MT	X	X	X		X	X		X	X
Poland	PL	X	X		X	X	X	X	X	
Romania	RO	X		X		X		X	X	X
Slovenia	SI	X	X	X		X	X	X	X	
Slovakia	SK	X	X	X	X	X	X	X	X	X
Turkey	TR	X				X		X	X	X

Table 1-1 summarises the primary sources of information used in preparation of this report. Some gaps are apparent in this table. The overall response from USPs and NRAs was highly satisfactory.<sup>5</sup> In two cases, however, USP responses lacked useful data (CZ, MT); in other cases, USPs failed to include in their responses data that they had submitted previously to the Universal Postal Union (UPU). To the extent possible, gaps in data supplied by USPs have been filled in with data available from the UPU, although this survey raises questions about usefulness of UPU statistics.<sup>6</sup> In three cases, it was not possible to follow up questionnaires with personal interviews (BG, RO, TR). In two cases, WIK could not obtain a translation of the postal law in effect (TR) or about to be enacted (PL)<sup>7</sup>. In five cases, key secondary legislation – relating, for example, to the definition of universal service, licensing of private operators, or establishment of accounting standards – has not been adopted (CY, MT, PL, RO, SI) although we have relied upon draft versions where possible.<sup>8</sup>

As part of this study WIK also contacted major private operators<sup>9</sup> (CPOs). Only one CPO (UPS) provided a partial response to the questionnaire even though the CPO questionnaire was abbreviated to ameliorate concerns about commercial sensitivity and

<sup>5</sup> In Turkey, no NRA information is available since such institution has not been established yet.

<sup>6</sup> See Appendix 2. For this reason, we consider data supplied by USPs in response to the questionnaire more reliable than UPU statistics.

<sup>7</sup> The new Polish postal law reportedly passed Parliament in July 2003, but Polish authorities were unable to provide a translation in time for inclusion in this study.

<sup>8</sup> E.g., in Cyprus, key regulations had been prepared and provided to WIK but have not been adopted yet.

<sup>9</sup> Specifically, BLS (Posten AB), DHL, FedEx, Groupe La Poste, TPG, and UPS.

## Section 1: Objectives and Plan of Study

burden. In addition, approximately 75 smaller local competitors were contacted by WIK. From these, only three answers were received: from Latvian operators City Express and DDK and from Slovakian operator Ten Express.

In addition questionnaires were sent to a range of user associations. Answers were received from EMOTA, FEDMA, the Polish Consumer Federation Council, and the direct marketing associations of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia.

## Section 1: Objectives and Plan of Study

Table 1-2: Availability of USP Revenue Data

	1998	1999	2000	2001	2002
Total USP	12	13	13	13	13
– Postal services	11	11	11	11	11
– Postal financial services	11	12	12	12	12
– Other financial services	8	9	9	9	9
– Other services	9	10	10	10	10
– Government support	3	3	3	3	3
Total operating expenses	11	12	12	12	12
– Labour cost	11	12	12	12	12
– Expenditure on fixed assets	11	12	12	12	12
Operational profit (loss)	8	12	12	10	11
Total employment (heads)	11	12	12	12	11
<b>All Postal Services</b>					
Letter post	8	9	9	9	9
– Letters	1	3	3	3	3
– Printed matter & sm pkts	1	3	3	3	3
Unaddressed mail	3	4	5	6	8
Parcel Post (total)	8	9	9	8	9
Courier express (EMS)	6	8	8	7	8
<b>Domestic Post</b>					
Letter post	4	6	6	6	6
– Letters	2	3	3	3	3
– Reserved	0	0	0	1	2
– Non-reserved	1	2	2	2	3
– Printed matter & sm pkts	2	3	3	3	3
– Direct mail	2	2	2	2	3
– Other letter post	2	2	2	2	2
Unaddressed mail	3	3	3	4	4
Parcel Post (total)	4	5	5	5	5
– USO	0	0	0	1	2
– Non-USO	1	1	1	2	3
Courier express (EMS)	3	4	4	4	4
<b>Outbound Cross Border Post</b>					
Letter post	1	5	5	5	5
– LC	0	1	2	2	2
– AO	0	2	3	3	3
Parcels	0	6	6	6	7
Express	1	6	6	6	5
<b>Inbound Cross Border Post</b>					
Letter post	1	6	6	7	7
– LC	0	0	0	0	0
– AO	0	1	1	1	1
Parcels	1	6	6	7	8
Express	0	6	6	7	7

Section 1: Objectives and Plan of Study

Table 1-3: Availability of USP Volume Data

	1998	1999	2000	2001	2002
<b>Domestic Post</b>					
Letter post	10	10	11	11	10
– Letters	3	6	7	7	7
– Reserved	0	1	2	3	4
– Non-reserved	0	1	2	3	4
– Printed matter & sm pkts	3	6	7	7	7
– Direct mail	0	1	2	2	4
– Reserved	0	0	0	0	2
– Non-reserved	0	0	0	0	2
– Other letter post	0	1	1	1	2
– USO	0	0	0	0	1
– Non-USO	0	1	1	1	2
Unaddressed mail	5	5	6	8	8
Parcel Post (total)	10	10	11	10	10
– USO	0	2	3	4	5
– Non-USO	0	3	4	5	6
Courier express (EMS)	6	6	7	7	7
<b>Outbound Cross Border</b>					
Letter post	9	8	9	9	8
– LC	2	3	4	4	4
– AO	1	2	3	3	3
Parcels	10	9	10	10	9
Express	9	9	9	9	8
<b>Inbound Cross Border</b>					
Letter post	9	9	9	9	8
– LC	3	3	3	4	4
– AO	2	2	2	3	3
Parcels	11	11	11	11	10
Express	9	9	9	9	9

This survey produced a substantial but incomplete array of USP revenue and volume data as summarised in Table 1-2 and Table 1-3. It may be noted, for example, that while eleven USPs were able to provide the total revenue earned in 2002 from all types of postal services, only five were able to divide the revenue between domestic, outbound cross border and inbound cross border. Only three USPs allocated domestic postal revenue between letters and printed matter.

Table 1-4: Availability of USP Cross-Border Origin/Destination Data

	1998	1999	2000	2001	2002
Letter post					
– Outbound EU	11	12	12	12	12
– Outbound AC/CC	10	11	11	11	11
– Inbound EU	11	12	12	12	12
– Inbound AC/CC	10	11	11	11	11
Parcels					
– Outbound EU	10	12	12	11	11
– Outbound AC/CC	8	10	10	10	10
– Inbound EU	9	12	12	11	11
– Inbound AC/CC	8	11	11	10	10
Express mail					
– Outbound EU	10	10	10	10	10
– Outbound AC/CC	9	9	9	9	9
– Inbound EU	9	10	10	10	10
– Inbound AC/CC	8	9	9	9	9

As Table 1-4 shows, information on cross border mail tended to be more readily available and complete. Twelve of thirteen USPs provided detailed information on their cross border mail flows – either by weight or volume.<sup>10</sup> Data sets submitted to WIK by the AC and CC USPs were more complete for letter post than for parcels and express items.

WIK has sought to evaluate the reliability of data in this report by several methods. First, the questionnaire asked for key information in several different ways in order to provide a basis for the assessing the internal consistency of answers. Second, in certain areas, similar questions have been posed to USPs, NRAs, and CPOs in order to develop multiple perspectives. Third, missing information and inconsistencies have been addressed in personal interviews and by written communication. Fourth, data provided by USPs have been checked against similar data submitted to the UPU. Fifth, additional checks have been performed for plausibility where suggested by experience. For example, where figures for the volume of domestic letter post and total domestic letter post revenues are available, changes in revenue per piece should be closely related to changes in the basic standard tariff; if not, inquiries were made.<sup>11</sup>

<sup>10</sup> Only the Czech USP refused to provide the information although it was reportedly available.

<sup>11</sup> Appendix 2 summarises our observations on the reliability of postal volume time series data.

## 1.4 Market segmentation

Finally, a brief explanation of market segments may be helpful for those not familiar with postal terminology and statistics.

In the EU Postal Directive the most basic division in the postal market is between *universal* and *non-universal* services. Universal services are those which a government assures will be provided on a permanent basis throughout the national territory. Although there is room for variation among member states, the Postal Directive prescribes a universal service that collects and distributes postal items of correspondence, newspapers and periodicals, and books weighing up to 2 kg as well as parcels weighing up to 10 kg (which may be extended to 20 kg by a member state). An item of correspondence in the Directive is a communication in written form other than books, catalogues, newspapers, and periodicals. Direct mail, i.e., advertising items prepared in identical form and posted in significant numbers, is not considered an item of correspondence. The reserved area is limited to items of domestic correspondence weighing less than a certain weight and carried for a price less than a multiple of “the public tariff for an item of correspondence in the first weight step of the fastest standard category where such category exists”.<sup>12</sup> The reserved area may also be extended by a member state to cross border mail and direct mail under certain circumstances. Non-universal postal services include heavy-weight parcel services, express delivery services, delivery of unaddressed mail, and document exchanges.

Historically, guided by the practice of the Universal Postal Union, post offices have viewed the market in slightly different terms. In the traditional view, the primary postal services are the *letter post* and the *parcel post*. The letter post provided for carriage of letters and cards (“LC” mail), on the one hand, and printed matter and small packets (*autres objets* or “AO” mail), on the other. Thus post offices did not distinguish between direct mail, newspapers, and small packets, although such distinctions are important under the Postal Directive. Indeed, in many cases, post offices consider the entire letter post as a single service without keeping separate records for LC and AO mail. The parcel post was intended for items heavier than “small packets” rather than all non-textual matter. There was no distinction between parcels in the universal service and other parcels. In both the EU and traditional postal views of the market, the sector is divided geographically into domestic, outbound cross border, and inbound cross border services.

Express or “courier” services have arisen in the last three decades and are today offered both by post offices and private courier firms. Originally, express services were thought of as services that provided extra speed and reliability together with a bundle of extra services such as tracking and tracing, transport in the company of a personal attendant, and the ability for a sender to redirect a parcel after dispatch. These services

---

<sup>12</sup> In Directive 97/67, the weight limit is 350 grams and the price multiple is 5; in Directive 2002/39 the weight limit is 100 grams and the price multiple is 3 (50 grams and 2.5 after 1 January 2006).

have evolved so quickly, however, that no set of attributes can be associated with express services in general. Today, “express service” refers to a service that costs substantially more than ordinary postal service. These services developed to provide rapid and reliable transportation of documents and parcels at international and regional levels. Gradually express-like services have been introduced at national levels by international express companies and post offices. However, at the scale of a small to medium-sized country, the line between domestic express service and fast parcel service is not a sharp one. In general, one might consider that in a domestic context “express” refers to delivery by early the next day and “parcel” service refers to delivery 2 to 4 days after posting. The UPU does not maintain statistics on express services.

The delivery of unaddressed mail – advertisements distributed to random sets of addresses – is a relatively recent activity for post offices. It has no clear place in the traditional UPU statistical system. Some post offices include unaddressed mail with letter post statistics and some do not.

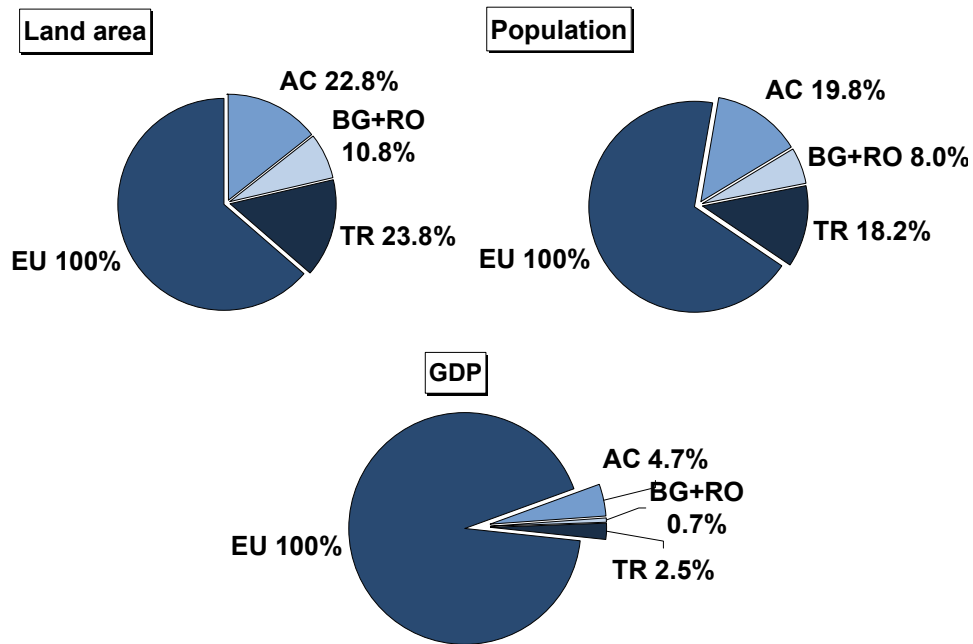
Differences in market segmentation under the Postal Directive and UPU system help to explain some of the difficulties encountered in applying the analytical framework of the Postal Directive to the operations and accounts of the AC and CC countries. In general, operational accounts of AC and CC USPs were originally based on UPU statistical categories.



## 2 Overview of countries surveyed

### 2.1 Basic information on enlargement countries

Figure 2-1: Enlargement: Land area, population, and GDP in 2001



Source: Eurostat NewCronos.

Enlargement will significantly expand the Union in general as well as the EU postal market. Fundamentally, postal systems, like other transportation and communications systems, join people across distance. Addition of the ten AC countries in May 2004 will increase the population served by EU postal operators by 20 percent and the area covered by 23 percent. The three CC countries, if admitted to the EU, will more than double this increase; land area would increase by another 35 percent, population by another 26 percent. The significance of the enlargement countries, in terms of population as well as of GDP in comparison to the current EU-15, is presented in Figure 2-1. Within the CC countries, shares are provided separately for Turkey on the one hand, and Bulgaria and Romania on the other hand. The latter are aiming at achieving membership in the EU in 2007. For further information on population and land area of each of the AC and CC countries see Table 2-1.

## Section 2: Overview of countries surveyed

Table 2-1: Land and population

		Land, sq km, 2002	% AC	% EU-15	Population, thou, 2001	% AC	% EU-15
Bulgaria	BG	110,910	15%	3%	7,910	11%	2%
Cyprus	CY	9,251	1%	0.3%	762	1%	0.2%
Czech Rep.	CZ	78,866	11%	2%	10,283	14%	3%
Estonia	EE	45,227	6%	1%	1,364	2%	0%
Hungary	HU	93,030	13%	3%	10,188	14%	3%
Lithuania	LT	65,300	9%	2%	3,478	5%	1%
Latvia	LV	64,589	9%	2%	2,355	3%	1%
Malta	MT	316	0.04%	0.01%	393	1%	0.1%
Poland	PL	312,685	42%	10%	38,638	52%	10%
Romania	RO	238,391	32%	7%	22,408	30%	6%
Slovenia	SI	20,273	3%	1%	1,992	3%	1%
Slovakia	SK	49,035	7%	2%	5,397	7%	1%
Turkey	TR	769,604	104%	24%	68,670	92%	18%
Total AC		738,572	100%	23%	74,850	100%	20%
Total CC		1,118,905	151%	35%	98,988	132%	26%
EU-15		3,234,568		100%	377,508		100%

Source: Eurostat. GDP at current prices and exchange rates

Table 2-2: Population density and degree of urbanisation

Country		Inhabitants per sq. km	Share of pop. in urban areas
Bulgaria	BG	71	67%
Cyprus	CY	82	70%
Czech Rep.	CZ	130	75%
Estonia	EE	30	69%
Hungary	HU	110	65%
Lithuania	LT	53	69%
Latvia	LV	36	60%
Malta	MT	1,244	91%
Poland	PL	124	63%
Romania	RO	94	55%
Slovenia	SI	98	49%
Slovakia	SK	110	58%
Turkey	TR	89	66%
AD		101	-
CC		88	-
AD and CC		94	-
EU-15		117	-

Source: Eurostat Database NewCronos / UN Population Division: World Urbanization Prospects, 2001

Section 2: Overview of countries surveyed

Table 2-3: Gross domestic product (GDP) in billion EUR

		1998	1999	2000	2001	Avg. Annual Growth, 1998-01
Bulgaria	BG	11.4	12.2	13.7	15.2	10.0%
Cyprus	CY	8.1	8.7	9.6	10.2	7.9%
Czech Rep.	CZ	50.6	51.6	55.8	63.3	7.7%
Estonia	EE	4.7	4.9	5.6	6.2	9.6%
Hungary	HU	41.9	45.1	50.6	57.8	11.2%
Lithuania	LT	5.4	6.2	7.8	8.5	16.1%
Latvia	LV	9.6	10.0	12.2	13.4	11.6%
Malta	MT	3.1	3.4	3.9	4.0	8.8%
Poland	PL	141.3	145.5	177.7	204.1	12.9%
Romania	RO	37.4	33.4	40.2	44.4	5.8%
Slovenia	SI	19.6	18.9	21.8	23.3	5.9%
Slovakia	SK	17.5	18.8	19.5	20.9	6.0%
Turkey	TR	177.8	173.1	216.7	161.8	-3.1%
AD countries		301.8	313.1	364.5	411.7	10.8%
CC countries		226.6	218.7	270.6	221.4	-0.8%
EU		7.632.0	8.016.8	8.524.4	8.827.1	4.9%

All figures in billions of Euros at current prices and exchange rates

Source: Eurostat; Database NewCronos.

Table 2-2 presents two demographic indicators: population density (the average number of inhabitant per square kilometre) and the degree of urbanisation (the share of population living in urban areas). These indicators are of particular interest for the analysis of postal networks since postal operations are more costly in less urbanised and less densely populated countries. In demographic terms, the central European AC countries are comparable to many central and western European EU member states, while the Baltic countries are relatively scarcely populated and thus more comparable to the Scandinavian states. On the other hand, the small island nation of Malta is more densely populated than, for example, major urban areas in Scandinavia.

Postal services are primarily business services. Person to person mail has become a very small fraction of total mail. Demand for postal services is therefore driven first of all by economic activity. After admission of the AC countries, the economic base for postal services within the enlarged Union, measured by GDP, will increase by 4.7 percent. GDP of the candidate countries is about 2.5 percent of the GDP of the EU-15. As shown in Table 2-3, the AC countries generally have experienced high rates of economic growth since 1998, enjoying an average annual increase in GDP of 10.8 percent. This compares with a slight decline in GDP in the CC countries and 4.9 percent growth rate in the EU as a whole.

## Section 2: Overview of countries surveyed

Table 2-4: GDP per capita in Euros and PPS

Country		GDP per cap, EUR, 2001	Avg. Annual Growth, 1998-2001	% AD	GDP per cap, PPS, 2001	Avg. Annual Growth, 1998-2001	% AC
Bulgaria	BG	1,923	10.0%	35%	5,710	-1.2%	53%
Cyprus	CY	13,386	7.9%	243%	17,180	2.6%	161%
Czech Rep.	CZ	6,156	7.7%	112%	13,700	3.8%	128%
Estonia	EE	4,545	9.6%	83%	9,240	4.3%	86%
Hungary	HU	5,673	11.2%	103%	12,250	7.6%	114%
Lithuania	LT	3,853	16.1%	70%	8,960	5.9%	84%
Latvia	LV	3,609	11.6%	66%	7,750	9.8%	72%
Malta	MT	10,178	8.8%	185%	na		na
Poland	PL	5,282	12.9%	96%	9,410	6.5%	88%
Romania	RO	1,981	5.8%	36%	5,560	3.5%	52%
Slovenia	SI	10,492	5.9%	191%	16,210	6.4%	151%
Slovakia	SK	4,317	6.0%	78%	11,200	3.3%	105%
Turkey	TR	2,356	-3.1%	43%	5,230	-1.0%	49%
AD		5,504	10.8%	100%	10,700	5.7%	100%
CC		2,237	-0.8%	41%	7,640	0.0%	71%
EU		23,210	4.9%	422%	23,210		217%

Source: Eurostat; Database NewCronos.

Table 2-5: Significance of postal market and postal sector employment

	Estimated postal market			Estimated postal sector employment		
	Market size, € million (2002)	% of GDP (2001)	% of EU (2000)	Employment, FTE (2002)	% of total national employment (2001)	% of EU (2000)
BG	25	0.17%	0.03%	19,143	0.70%	1.11%
CY	35	0.34%	0.04%	1,224	0.42%	0.07%
CZ	427	0.67%	0.50%	57,405	1.22%	3.33%
EE	31	0.50%	0.04%	6,090	0.99%	0.35%
HU	382	0.66%	0.45%	60,078	1.57%	3.48%
LT	43	0.51%	0.05%	9,775	0.66%	0.57%
LV	27	0.20%	0.03%	10,355	1.07%	0.60%
MT	19	0.48%	0.02%	1,094	0.73%	0.06%
PL	1,338	0.66%	1.57%	141,759	0.99%	8.21%
RO	74	0.17%	0.09%	49,849	0.46%	2.89%
SI	129	0.55%	0.15%	8,696	0.95%	0.50%
SK	111	0.53%	0.13%	25,731	1.22%	1.49%
TR	491	0.30%	0.58%	50,515	na	2.93%
AC	2,542	0.62%	2.99%	322,206	1.10%	18.67%
CC	591	0.27%	0.69%	119,507	na	6.92%
EU	85,000	0.96%	100%	1,725,827	1.07%	100%

Notes: Share of postal sector employment uses 2001 data for total national employment. Share of postal market uses 2001 GDP data. EU market estimate is from the EC application report, EU postal sector employment is from the PLS employment study

Source: WIK-Consult, Eurostat *Labour force survey* (2001), Eurostat *NewCronos Database*; PLS Ramboll, *Employment Trends in the EU Postal Sector* (2002), COM(2002) 632 final, 25.11.2002. (EC report on the application of the Postal Directive 97/67/EC).

Table 2-4 presents GDP and GDP growth rates on a per capita basis and sets out GDP in both normal Euros and PPS (purchasing power standards). PPS data take different price levels of the AC and CC into account and are an appropriate measure for comparisons of living standards. By contrast, information stated in Euros and using current exchange rates appear to be more valuable for comparison of costs and prices in an internal market that may even share a single currency in the future. For this reason normal Euro values are used for analysis within this report. However, in some instances, PPS values are used for specific reasons.

The exchange rates used in this report are set out in Appendix 1.

## 2.2 Significance of postal markets

The present section highlights the major survey findings concerning the significance of the postal sector in the thirteen AC and CC countries measured by total revenues and employment. Table 2-5 summarises the survey results.

In the ten AC countries, postal services generated approximately 2.54 billion Euros revenues in 2002 while total market size in the three CC countries was about 0.59 billion Euros. The postal markets of the AC countries are thus about 3 percent of the size of the EU postal market (in 2000) while the CC postal markets are about 0.7 percent of the EU market. In the EU, the postal market contributed roughly 1 percent to the Community's total GDP. In the AC countries, postal markets comprise about 0.62 percent of total GDP whereas in the CC countries the share was only 0.27 percent.

The importance of the postal market to the national economy varies substantially among AC and CC countries. In the three largest AC countries (CZ, HU, PL), the postal markets account for more than 0.6 percent of total GDP while postal markets in other AC countries do well to reach 0.5 percent of GDP. In Latvia and two CC countries (BG, RO) postal markets constitute only about 0.2 percent of total economic activity. It should be noted that the relationship between postal revenues and GDP is significantly influenced by the price of postal services. In general it appears that the price level for postal services in AC and CC countries is well below that in current EU member states, thus partly explaining the relatively low significance of the postal market (see section 4.6). Within the AC countries, however, it appears that Poland's relatively significant postal market is due in part to high postage rates. In contrast, in Slovenia, where the postal market accounts for only 0.55 percent of GDP, high postal volume is somewhat masked by low postage rates.

In AC countries, postal sector employment equals 18.7 percent of postal sector employment in the EU, while the postal sector in the CC countries employs 6.9 percent of the EU total. Postal sector employment is an important component of the total labour force in all central European AC countries (CZ, HU, SK, PL). According to WIK's

Section 2: Overview of countries surveyed

estimate, more than 1.5 percent of the total Hungarian labour force (active population) is employed in the postal sector while postal employment is relatively less significant in the CC countries and in Cyprus. In general, the importance of postal employment in AC countries is comparable to its importance in the EU.

Figure 2-2: Estimated total postal services market, by country, 2002

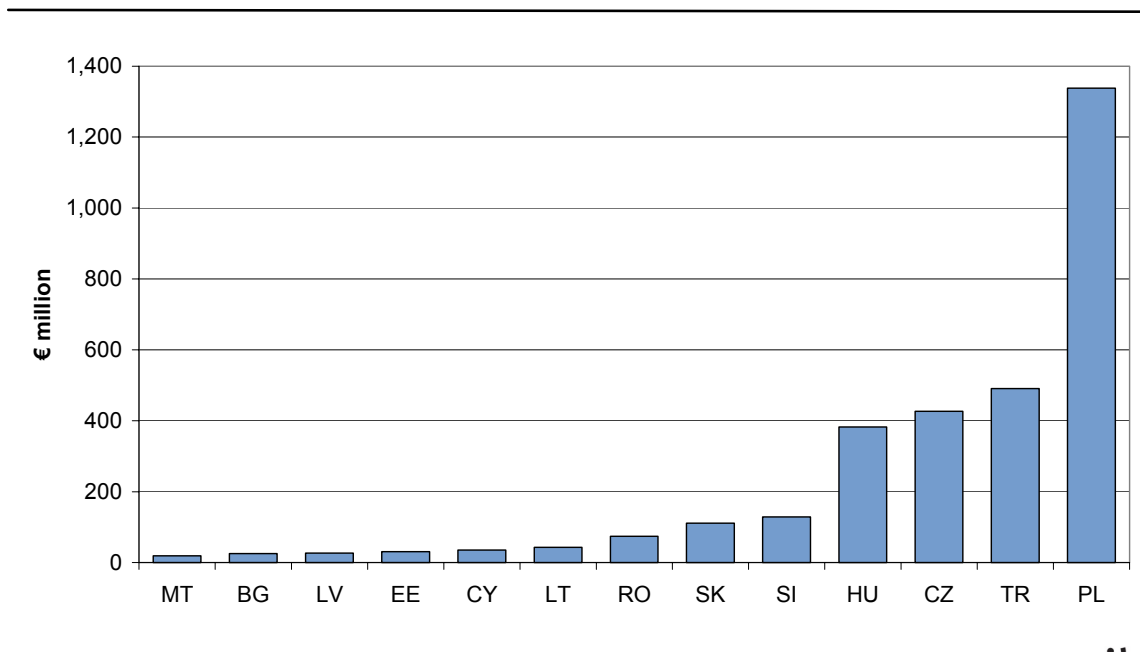
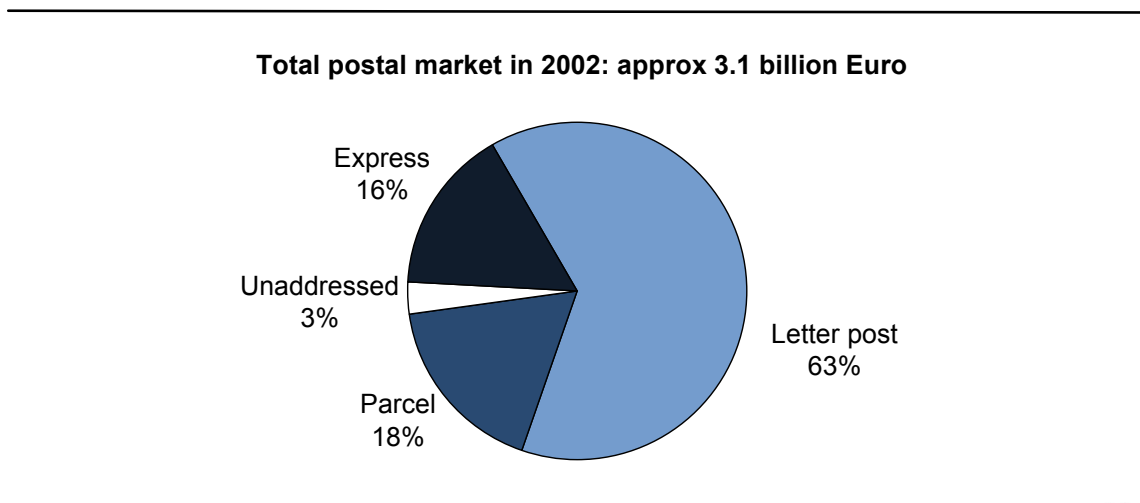


Figure 2-3: Estimated total postal services market, by submarket, 2002



The estimates for market size presented in Table 2-5 take into account revenues for four basic market segments (letter post, parcels, express and unaddressed items) and include revenues from both USPs and private operators. Postal sector employment has been estimated using USP employment information as well as the findings of a previous Commission study in the member states<sup>13</sup> and refers to total employment of private postal operators and USPs, i.e. includes USP staff that may not be directly attributable to the USP's postal operations.

### Market size

The total market sizes presented in Table 2-5 have been derived from a bottom up consideration of the major market segments. For each country, WIK estimated the size of the following market segments: letter post, parcel, express and unaddressed mail delivery. The size estimates of market segments are primarily based on USP revenue information and assessments of competition and market shares provided by NRAs and ministries as well as by USPs. The size of each segment has been calculated by dividing the revenues for this market segment reported by a USP by its estimated market share in the segment.<sup>14</sup>

Figure 2-2 illustrates graphically the relative sizes of postal markets in the thirteen AC and CC countries. The three largest AC countries (CZ, HU, PL) account for approximately 85 percent of the total AC market. In the group of CC countries, Turkey is particularly important mostly due to its large size. The relative importance of different postal markets segments in the AC and CC countries is illustrated in Figure 2-3. Letter post is the most significant postal market segment and accounts for slightly less than two thirds of total postal revenues in the AC and CC countries. The segments for parcels and express together form roughly one third of the postal market while delivery of unaddressed mail is relatively less important.

---

<sup>13</sup> PLS Ramboll, *Employment Trends in the EU Postal Sector* (2002).

<sup>14</sup> In some instances where USPs failed to provide revenue information for specific market segments, WIK has estimated the revenues per segment using the best information available, e.g. using volumes data or comparisons to other countries. For a more detailed discussion of the USP revenues, see section 3.1 of this report. Where sufficient – and sufficiently reliable – data was available, assessments of market size for various submarkets (e.g. outbound vs. domestic letter post) are included in the country reports in Part II of this report.

## Section 2: Overview of countries surveyed

Table 2-6: Perceived competitiveness of postal markets

		Letter post	Parcels	Unaddressed	Express
Bulgaria	BG	●	● ●	● ●	● ● ●
Cyprus	CY	◐	● ◐	● ●	● ●
Czech Rep.	CZ	◐	● ◐	● ● ◐	● ● ◐
Estonia	EE	●	●	● ●	● ● ●
Hungary	HU	◐	● ◐	● ●	● ● ●
Lithuania	LT	● ●	● ● ●	● ● ●	● ● ●
Latvia	LV	●	●	● ●	● ● ◐
Malta	MT	○	○	●	● ●
Poland	PL	●	● ●	● ●	● ● ◐
Romania	RO	● ◐	● ◐	● ●	● ● ◐
Slovenia	SI	●	● ● ◐	● ●	● ● ●
Slovakia	SK	◐	● ◐	● ● ●	● ● ●
Turkey	TR	◐	● ● ◐	● ●	● ● ◐

Summary of competitiveness as perceived by USPs, NRAs and ministries.

- No competition
- Emerging competition
- ● Substantial competition
- ● ● Intense competition

Source: WIK-Consult.

Table 2-7: Estimated USP market shares in postal market segments

		LP	CP	Unaddressed	Express
Bulgaria	BG	95%	75%	40%	20%
Cyprus	CY	95%	30%	40%	15%
Czech Rep.	CZ	95%	60%	50%	10%
Estonia	EE	90%	70%	65%	25%
Hungary	HU	95%	40%	20%	15%
Lithuania	LT	80%	30%	40%	5%
Latvia	LV	90%	65%	40%	20%
Malta	MT	95%	90%	50%	15%
Poland	PL	95%	20%	40%	5%
Romania	RO	90%	75%	60%	45%
Slovenia	SI	95%	40%	50%	30%
Slovakia	SK	95%	70%	20%	15%
Turkey	TR	95%	45%	30%	25%

Source: WIK-Consult.



## Competition in postal market segments

In the AC and CC countries, competition in postal markets varies by country and by postal market segment. Table 2-6 summarises the extent of competition in each country in four market segments: letter post, parcel post, express services, and unaddressed items. This table is derived primarily from views expressed by USPs and regulatory bodies (NRAs and ministries). Both provided estimates of the degree of competition in postal market segments as well as estimates of USP market shares.<sup>15</sup> Public information on market development and data on the number of competitors per market segments were used to cross-check the results.<sup>16</sup> An estimate of the USP's market share by segment – derived by merging and assessing several estimates from the parties involved – is presented in Table 2-7.

In letter post markets the level of competition is noteworthy. Emerging competition is reported in a number of countries. In most cases, this competition appears to be intruding into the reserved area. There are various explanations for this phenomenon. In some countries it is unclear whether direct mail is within the legal monopoly (e.g., SI). In other countries, authorities seem not to enforce the monopoly effectively. This is the case in Lithuania where more substantial competition in the letter market was reported than in any other AC or CC country. As the legal definition of a “postal courier” does not clearly specify the services that may be provided by licensed operators – and moreover, the current law does not appear to specify whether direct mail is to be regarded as a reserved service – the Lithuanian NRA reported substantial problems in enforcing the reservation. Next to Lithuania, the highest levels of competition in the letter post market segment were reported from Estonian and Romania. In Estonia many operators are reportedly providing direct mail delivery by relying on an unclear legal definition of express services.<sup>17</sup> In Romania, no reserved area has been introduced so far (although the postal law allows the NRA to do so), and direct mail is outside the reserved area in any case.

In the parcel and express market segments there is significant competition in all countries surveyed. The express segment is characterised by intense competition in almost all AC and CC countries except for Malta, where it appears that a domestic market for parcels and express hardly exists at all because the island is so small that a potential sender can himself reach any domestic destination by car in less than an hour. The Cyprus Department of Postal Services also has very low domestic parcel volumes apparently due to limited success in the market. The most successful USPs in the

---

<sup>15</sup> With the exception of two local couriers in Latvia, private operators did not provide any information.

<sup>16</sup> For many countries a more detailed discussion of individual sources and assessments of competition by market segment (and even subsegment) can be found in Part II of this report.

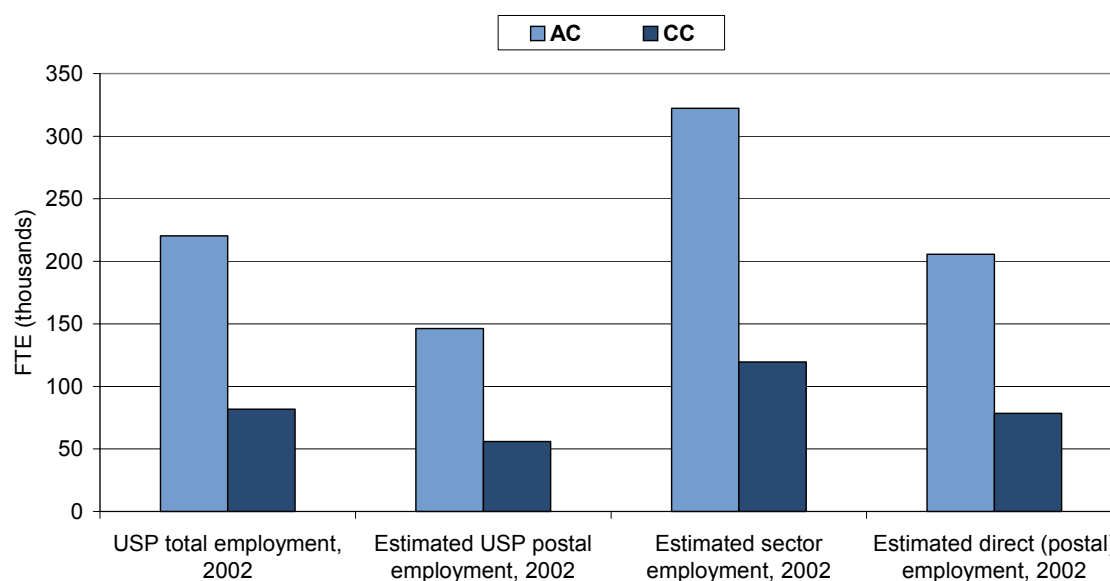
<sup>17</sup> Formally, there is no reserved area in Estonia. However, universal services may only be provided by Eesti Post which at present holds the sole license. Nonetheless, some private operators are claiming to deliver “express direct mail” that can be traced and re-directed anytime (thus satisfying the condition of the express service definition) since their delivery staff carries mobile phones.

parcels and express market appear to be those from Estonia, Slovenia, and Romania. These three operators have focused on and invested in this segment to an outstanding extent compared to other AC USPs. At the other end of the spectrum, Poczta Polska has a comparatively low share of the parcels market. One reason seems to be that Central Europe has become a region of special interest and extensive activities for all major European and global private operators. In addition, Poczta Polska has faced stiff competition since the late 1980s from a local parcel operator, Servisco (recently acquired by Deutsche Post World Net).

## Employment

As in the EU, postal operators are among the biggest employers in each of the AC and CC countries. In many countries, e.g. in Hungary and in Poland, the USPs were reported to be the largest single employer of the country. Measured in full time equivalents (FTE), the USPs of the AC countries in total employed about 220,000 persons in 2002. The three CC USPs employed roughly 82,000 FTE.<sup>18</sup>

Figure 2-4: USP and estimated postal sector employment, 2002



<sup>18</sup> The figure for CC countries possibly overstated FTE employment slightly since no data on full time equivalents was available from the Turkish USP who employed roughly 34,500 persons in 2002. A more detailed discussion of USP employment is included in section 3.2 of this report.

In order to estimate the employment in the total postal market, it is necessary to consider CPO as well as USP employees. Moreover, all USP employees cannot necessarily be attributed to the postal market since AC and CC USPs provide significant non-postal operations as well. As described in section 3.1 of his report, some AC and CC USPs earn less than half of their total revenue from postal services. For example, the Bulgarian Posts earned only 36 percent of its total revenues from postal services in 2002, while the share was 39 percent for Lietuvos Paštas. On average, postal revenues were slightly less than 60 percent of total USP revenues in the AC countries in 2002.

Using the concepts introduced by a recent Commission study on postal employment in the member states,<sup>19</sup> WIK distinguishes two basic measures for postal employment (as distinct from USP employment):

- *Direct (postal) employment* refers to all employees employed either with the USP or private operators that are directly involved in the provision of postal services. For 2002, WIK estimates the AC countries' direct (postal) employment to be approximately 206,000 FTE while 79,000 FTE are estimated to be employed by CC postal operators.<sup>20</sup>
- *Postal sector employment* refers to all employment within companies that mainly operate in the postal sector and includes employees of those companies that are involved in providing non-postal services. For 2002, WIK estimates postal sector employment in the AC countries is about 322,000 FTE and in CC countries about 120,000 FTE.

Using these concepts, WIK estimated both *direct (postal) employment* and *postal sector employment* for each AC and CC country. These results were presented in Table 2-5 in detail and are summarised in Figure 2-4. In the absence of more direct information,<sup>21</sup> these estimates were derived using the following methodology: First, USP direct (postal) employment was calculated using the share of each USP's revenues from postal services and an assumption about the relative labour intensity of USP's postal and non-postal operations. In particular, it was assumed that the provision of postal services are more labour intensive than non-postal USP operations by a factor of 1.5.<sup>22</sup> Second, total market employment in private operators was roughly estimated using USP postal employment and PLS Ramboll's findings concerning the relationship between direct USP employment and direct CPO employment in EU member states.

---

<sup>19</sup> PLS Ramboll, *Employment Trends in the EU Postal Sector* (2002).

<sup>20</sup> As discussed below, these estimates have to be considered as very approximate. In particular, the estimates rely on structural information for the current member states.

<sup>21</sup> Within the present survey, no employment data was provided by CPOs. Moreover, national statistical offices in the AC and CC countries as well as Eurostat do not maintain detailed and comparable information available on employment in the AC and CC postal sectors. Furthermore, none of the thirteen USPs provided information about their *direct (postal) employment*, and most were unable to breakdown employment by different service categories (a few USPs provided information about employment in special segments, e.g. employees providing courier and express services).

<sup>22</sup> The formula used to calculate USP postal employment is discussed in more detail in section 3.2 of this report.

Finally, direct (postal) employment was calculated as the sum of estimated USP and CPO direct employments. Postal sector employment is obtained by adding those USP employees that are involved in non-postal operations to the direct (postal) employment total.

These overall employment estimates are thus based on several assumptions and should be considered as no more than a best guess. In particular, the results rely heavily on the assumption that the balance between USP and CPO direct employment is similar in the EU and in the AC and CC countries. Nonetheless, WIK believes that these estimates offer a useful preliminary view on postal employment in the AC and CC countries.

### 3 Postal Operators and Services

#### 3.1 USP revenues

Table 3-1: USP total revenues, million EUR, 1998-2002

		1998	1999	2000	2001	2002	Avg. Ann. Growth 1998-2002
Bulgaria	BG	34	41	48	48	53	11.3%
Cyprus	CY	19	20	22	26	26	8.5%
Czech Rep.	CZ	459	658	497	433	507	2.6%
Estonia	EE	32	36	34	39	40	5.5%
Hungary	HU	342	363	402	460	542	12.2%
Lithuania	LT	27	33	40	40	41	11.0%
Latvia	LV	24	31	39	39	40	13.6%
Malta	MT	19	19	16	17	19	-0.4%
Poland	PL	920	1,006	1189	1424	1431	11.7%
Romania	RO	102	114	128	130	145	9.3%
Slovenia	SI	123	137	141	155	163	7.4%
Slovakia	SK	97	111	123	140	142	9.8%
Turkey	TR	302	440	561	417	389	6.5%
AC		2,061	2,415	2,503	2,773	2,951	9.4%
CC		437	594	738	595	586	7.6%

Note: MT:1998 revenues of Maltapost assumed to be the same as 1999.

Source: WIK-Consult

Since 1998, USPs in the AC and CC countries have enjoyed respectable growth rates. In AC countries, total revenues of the ten USPs – from nonpostal as well as postal services – increased at an annual compound rate of 9.5 percent growth. During the same period, revenues of CC USPs grew at an annual per year 7.6 percent. Table 3-1 presents total revenues for each of the AC and CC USPs for the five-year period 1998 to 2002. <sup>23</sup> Figure 3-1 provides a graphical view of the differences in size among AC and CC USPs and comparisons with USPs of selected EU member states.

<sup>23</sup> In order to calculate totals, we have assumed the 1998 revenues for Maltapost were the same as 1999.

Figure 3-1: Size of USPs in AC, CC and selected member states

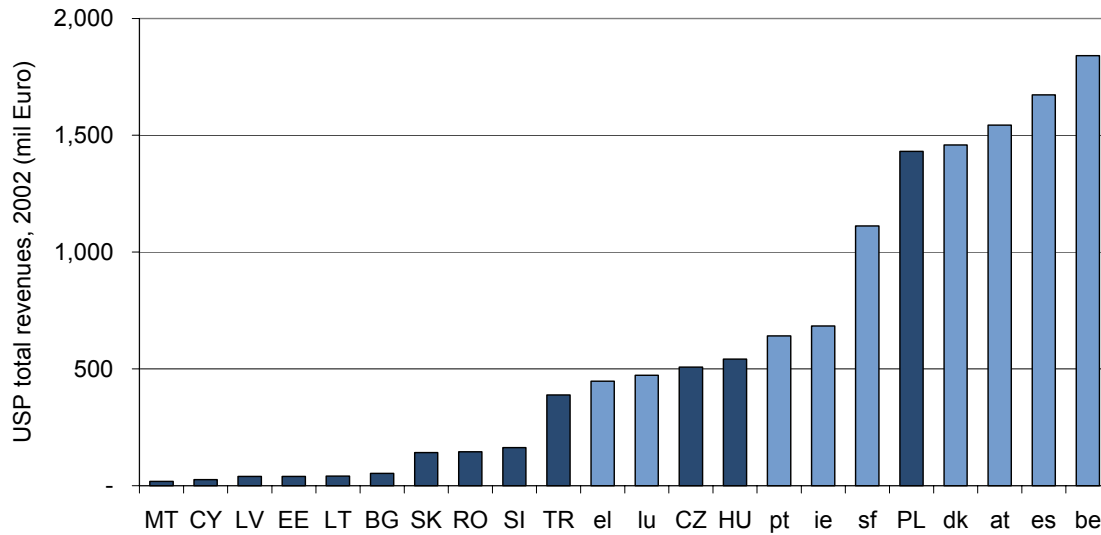


Figure 3-2: Sources of USP revenues, 2002

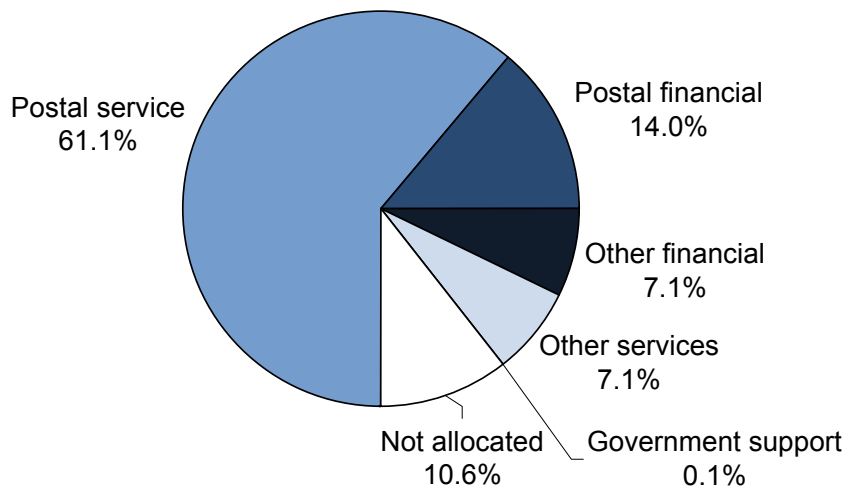
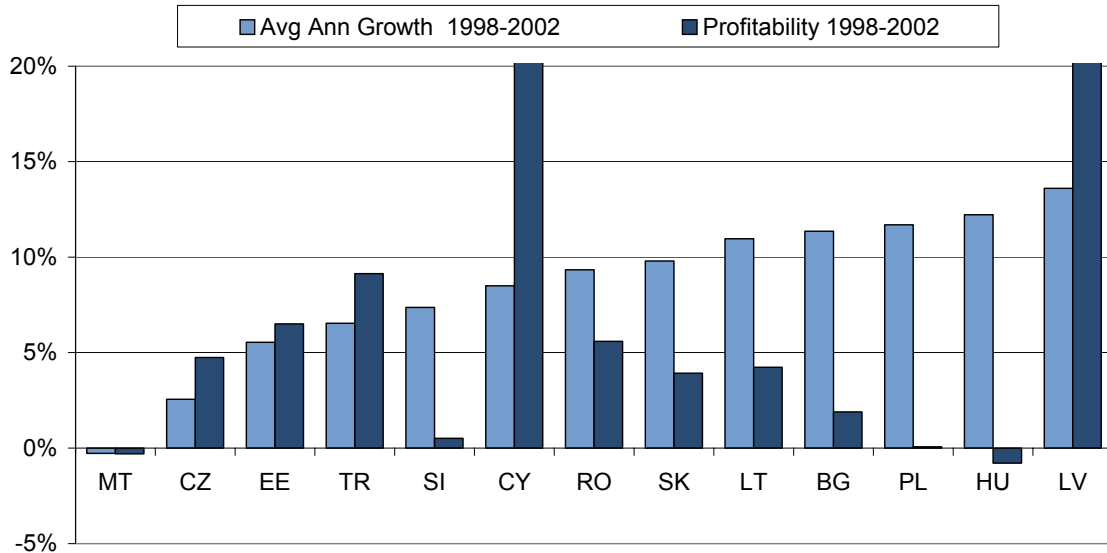


Figure 3-3: USPs: annual growth and profitability, 1998-2002



In many of the surveyed countries, the USP is much more than a provider of postal services. In the AC countries in 2002 only 53 percent of total USP revenue from postal services. In the CC countries, the figure was 80 percent overall, but Posta Romana earned more than half of its revenue from non-postal sources. Figure 3-2 shows the sources of revenues for all AC and CC USPs collectively. In this chart, “postal financial” services refer to financial services traditionally offered by posts, such as money orders. “Other financial services” refer to additional financial products, such as insurance. “Other services” include activities such as the sale of retail goods and the provision of government services (e.g., distribution of licenses). “Government support” refers to subsidies. As this figure makes clear, USPs failed to give sources for about 10 percent of reported revenue.

Figure 3-3 provides a graphical overview of the financial success of the surveyed USPs in the period 1998-2002. In this figure, the USPs are arranged in *ascending order of the annual compound revenue growth*. In this period, only Maltapost lost ground financially. At the other end of the spectrum, Latvijas Pasts grew at an annual rate of 14 percent. Figure 3-3 also shows the profitability of USPs during this period, where profitability is defined as profit divided by total revenues. Profitability varied enormously with some tendency for the highest growth posts to exhibit the smallest profits. Because profitability of a regulated firm is heavily influenced by government policy, revenue growth appears a better measure of financial success. In Figure 3-5 to Figure 3-9, USPs will likewise be presented in the order shown in Figure 3-3 in order to highlight relationships between the rate of growth of total revenue and other factors.

## Section 3: Postal Operators and Services

Table 3-2: USP postal services revenues, million EUR, 1998-2002

		1998	1999	2000	2001	2002	Avg. Ann. Growth 1998-2002
Bulgaria	BG	11	12	15	16	19	13.5%
Cyprus	CY	19	20	22	26	26	8.5%
Czech Rep.	CZ	223	226	265	289	316	9.1%
Estonia	EE	18	19	19	23	25	7.9%
Hungary	HU	137	182	200	204	275	19.1%
Lithuania	LT	9	11	15	15	16	16.4%
Latvia	LV	10	16	18	21	21	21.5%
Malta	MT	18	18	15	15	15	-4.4%
Poland	PL	428	493	624	802	814	17.5%
Romania	RO	21	30	37	40	51	25.3%
Slovenia	SI	74	81	87	97	109	10.0%
Slovakia	SK	55	65	72	83	86	11.7%
Turkey	TR	302	440	561	417	389	6.5%
AC		991	1,132	1,337	1,576	1,703	14.5%
CC		334	482	614	473	459	8.3%

Notes: (1) MT: 1998 revenues assumed to same as 1999.

Source: WIK-Consult.

Table 3-3: USP financial services revenues, million EUR, 1998-2002

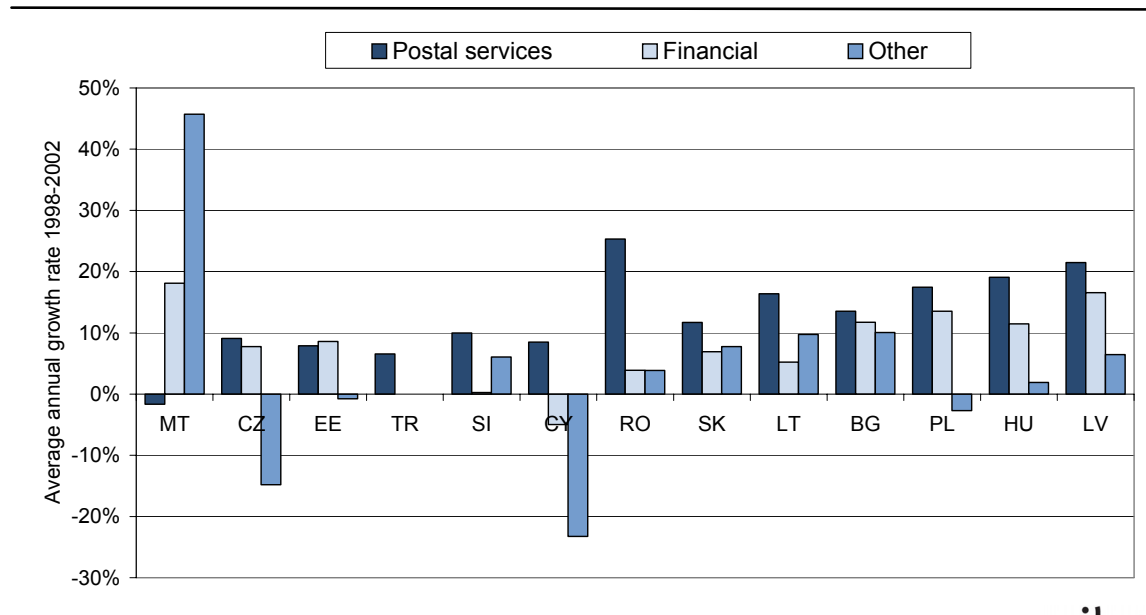
		1998	1999	2000	2001	2002	Avg. Ann. Growth 1998-2002
Bulgaria	BG	2.2	2.5	3.2	3.4	3.4	11.7%
Cyprus	CY	0.0	0.0	0.0	0.0	0.0	-5.0%
Czech Rep.	CZ	82.1	89.7	92.8	98.4	110.8	7.8%
Estonia	EE	3.7	4.2	4.6	5.4	5.1	8.6%
Hungary	HU	98.7	108.3	118.4	131.5	152.4	11.5%
Lithuania	LT	7.0	8.2	9.3	8.4	8.6	5.2%
Latvia	LV	0.7	0.9	0.9	1.0	1.3	16.6%
Malta	MT	0.1	0.1	0.1	0.1	0.1	18.1%
Poland	PL	230.2	311.5	358.4	397.6	382.3	13.5%
Romania	RO	12.1	12.4	13.8	15.0	14.1	3.9%
Slovenia	SI	27.0	25.7	24.3	26.1	27.3	0.3%
Slovakia	SK	32.2	35.3	39.5	41.5	42.1	6.9%
Turkey	TR	0.0	0.0	0.0	0.0	0.0	0.0%
AC		481.8	583.9	648.4	710.1	730.1	11.0%
CC		14.3	14.9	17.1	18.4	17.5	5.2%

Notes: (1) MT: 1998 revenues assumed to same as 1999.

Source: WIK-Consult.



Figure 3-4: Growth rates of USP revenue sources, 1998-2002



In general, the major products of the USPs are postal services and financial services. Table 3-2 and Table 3-3 break out these two sources of revenue from overall revenue totals. In Table 3-3, financial services includes both postal and other financial services.

Using this data on revenues by service, Figure 3-4 separates the USPs overall annual rate of revenue growth into postal, financial service, and other revenue components.<sup>24</sup> From this figure, it is evident that for high-growth USPs (i.e., those to the right of the figure), postal service revenue grew more quickly than other revenue sources and thus the postal services have been the main engine for growth. At the same time, high revenue growth USPs also generally increased revenues from financial services more quickly than other USPs.

<sup>24</sup> In this figure, other revenue also includes revenue reported by the USP but not allocated to any source. Because of the presence of unallocated funds in the figures for some USPs, it is impossible to draw conclusions from changes in the other revenue category.

Section 3: Postal Operators and Services

Figure 3-5: Sources of USP revenue by USP, 2002

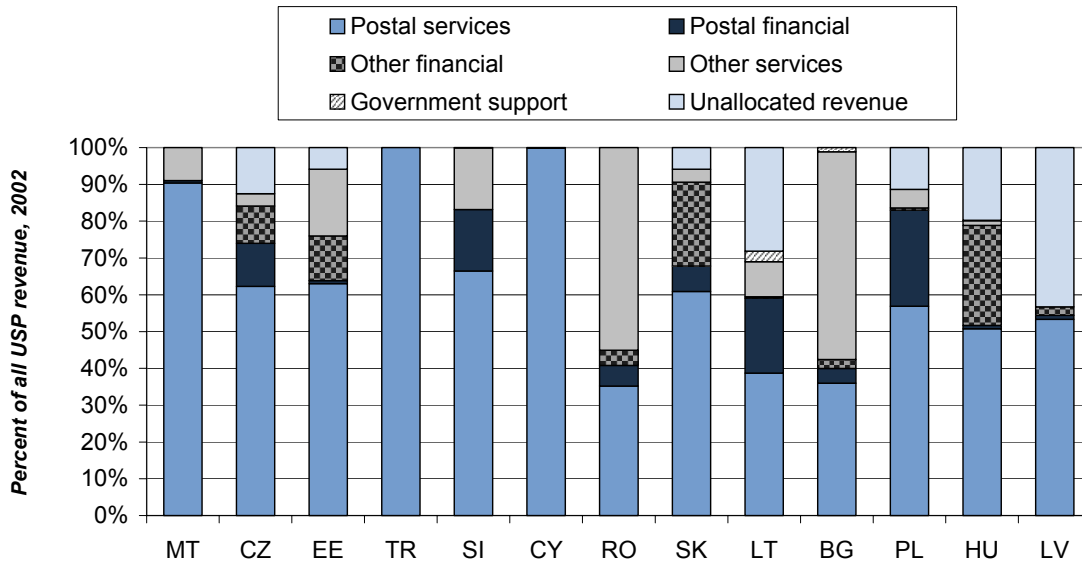


Figure 3-6: Sources of postal revenue, by USP, 1998-2002

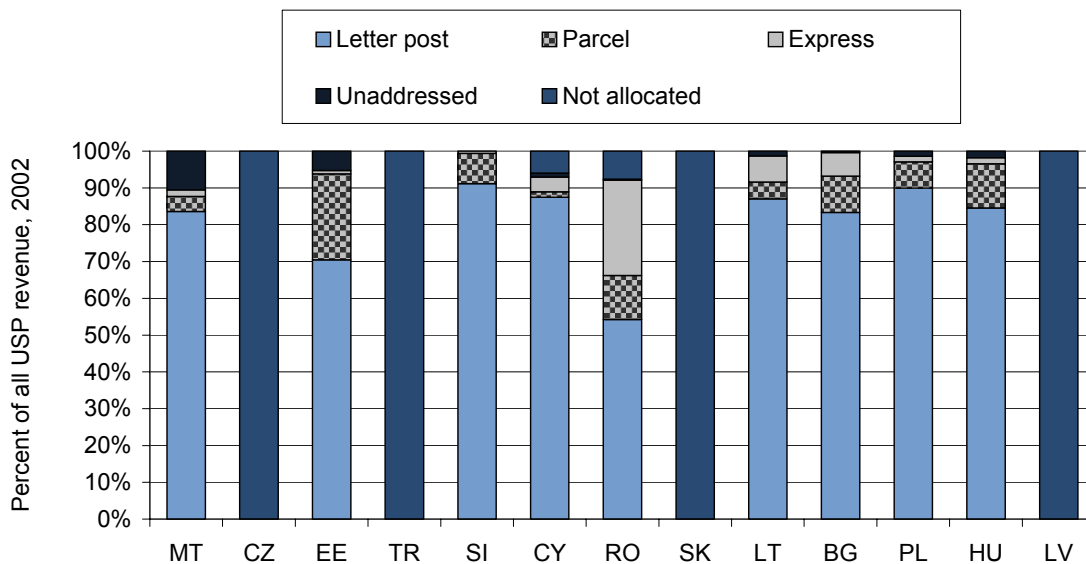
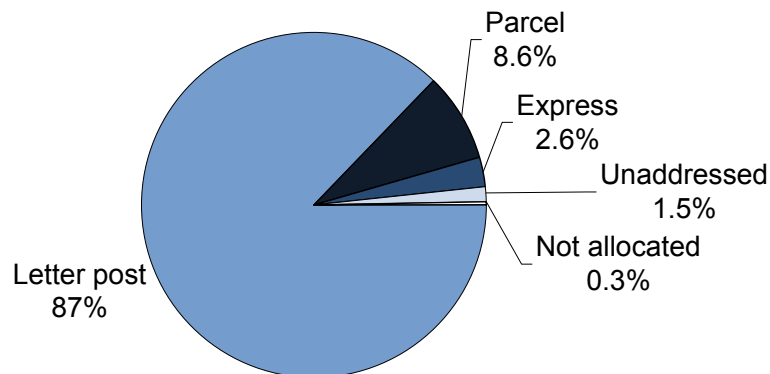


Figure 3-7: Composite sources of postal revenue, selected USPS, 2002



As a result of the high rate of growth in postal service revenue, since 1998 AC and CC USPS have become more dependent on postal service revenue. Česká Pošta, for example, derived 62 percent of revenues from postal services in 2002 but only 49 percent in 1998. Poczta Polska increased its dependence on postal revenue from 47 percent in 1998 to 57 percent in 2002.

Having in mind the recent growth rates of postal service revenue, an additional perspective on these trends emerges from Figure 3-5. This figure shows the sources of USP revenue by individual USP. From this figure, it is evident that the highest growth USPS are more heavily involved in non-postal activities than lower growth USPS. Unless high growth USPS are mistakenly investing in low growth portions of their businesses, this trend suggests a definite strategy to develop new, non-postal sources of revenue. Figure 3-5 also indicates which USPS have failed to supply sufficient data to allocate all revenues. In absolute terms, the main culprits are Magyar Posta and Poczta Polska.

Looking more deeply into the sources of postal service revenues offers further insight in to the evolution USP revenues. Nine of the thirteen AC and CC USPS (BG, CY, EE, HU, LT, MT, PL, RO, SI) provided sufficient data to allow an allocation of postal revenue among different types of services. Figure 3-6 allocates postal revenues of individual USPS among different postal products. It shows that the high growth USPS are as dependent on letter post revenues as other USPS. Only two USPS, Eesti Post and Posta Romana, derive as much as one quarter of their postal revenues from non letter post products. Figure 3-7 shows a composite view of the allocation of postal revenue for these nine USPS. From this figure, it is clear the traditional letter post – delivery of letters, newspapers, magazines, and direct mail – still accounts for the great majority, 87 percent, of all postal revenue.

Section 3: Postal Operators and Services

Figure 3-8: Letter post revenue and volume growth rates, 1998-2002

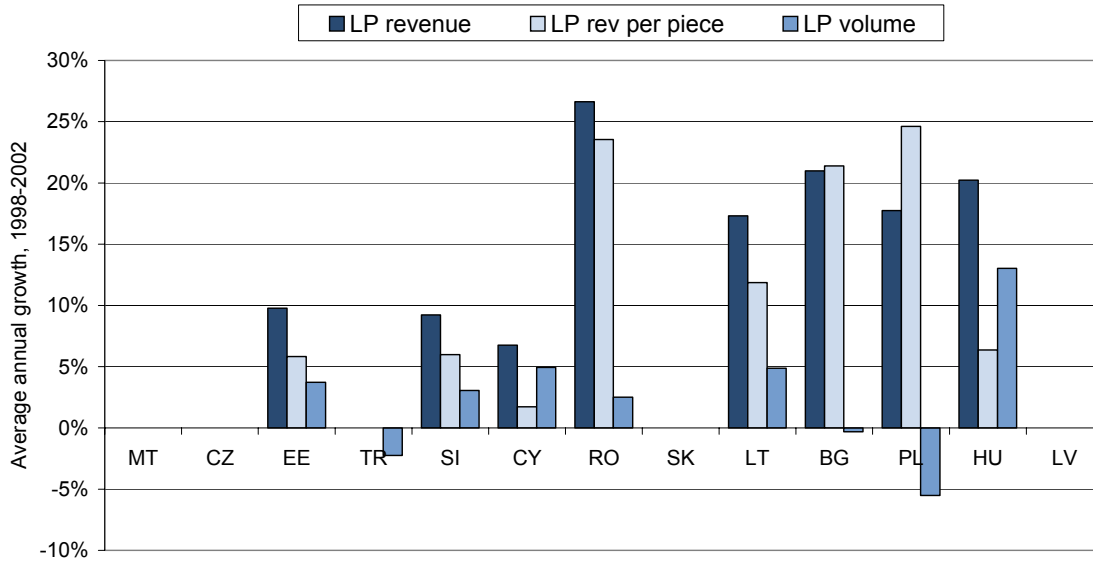
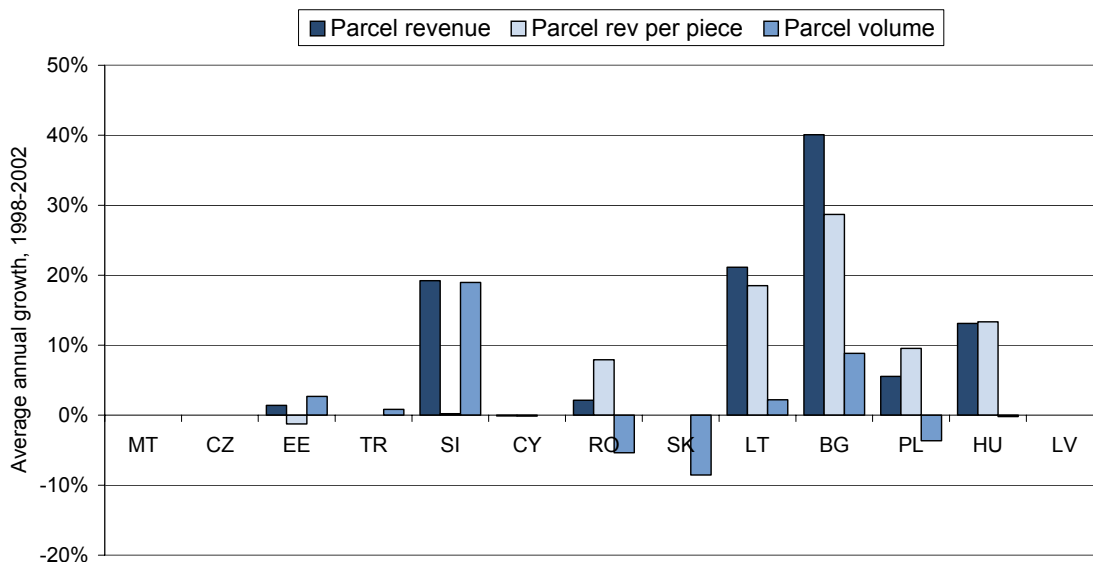


Figure 3-9: Parcel revenue and volume growth rates, 1998-2002



## Section 3: Postal Operators and Services

For USPs providing an allocation of postal revenues by product, it is possible to combine this information with data on postal volumes (developed in following sections) to estimate how much of the revenue growth is due to increased volume and how much to increasing revenue per piece.

Figure 3-8 shows the results of this analysis for letter post revenue.<sup>25</sup> From this figure it is apparent that the reasons for letter post revenue growth vary markedly from USP to USP. For the Cyprus Department of Postal Services and Magyar Posta, the increase in letter post revenue was driven by an increase in volume. For Magyar Posta, for example, letter post revenues grew at a compound annual rate of 20 percent from 1998 to 2002. Letter post volume grew at pace of 13 percent per year, accounting for most of the revenue increase. At the same time, average revenue per item increased by 6 percent per year, apparently indicating price increases. For other USPs, an increase in revenue per piece – i.e., an increase in average prices – was the primary factor in revenue growth. Poczta Polska stands out in this regard. It increased average prices by almost 25 percent per year and thus increased revenues despite a significant decrease in letter post volume (-6 percent per year). This sharp increase in postage rates combined with its heavy involvement in financial services suggests that Poczta Polska has adopted a deliberate strategy of raising revenue from monopoly sources before they are jeopardised by competition and using the money to develop financial services.

Figure 3-9 offers a similar analysis of parcel post revenues.<sup>26</sup> In this case, the parcel revenue increase for Magyar Posta was entirely driven by an increase in revenue per parcel. In contrast, parcel revenue gains for Eesti Post and Pošta Slovenije were entirely produced by volume increases (indeed, Eesti Post overcame a drop in average revenue per parcel). For other USPs, increases in average revenue per parcel were more important than increases in parcel volume. Again, Poczta Polska increased revenue while losing volume, as did Posta Romana and Slovenská Pošta. Unlike for letter post services, changes in average revenue per parcel cannot be easily translated into price increases. Changes in the average weight per parcel and in the mix of cross border and domestic parcels may account for changes in revenue per parcel.

---

<sup>25</sup> Average revenue per letter post piece was calculated by dividing total letter post revenue by the sum of domestic and outbound letter post. The volume of inbound letter post is relatively small compared to domestic letter post volume, and revenues for inbound letter post are outside the control of the USP because terminal dues rates are set by the Universal Postal Union.

<sup>26</sup> Average revenue per parcel was calculated by dividing total parcel revenue by the sum of domestic, outbound, and inbound parcels. Unlike in the letter post, inbound parcels are a significant portion of total parcel volume, and the USP has control over the rates charged other USPs.

## Section 3: Postal Operators and Services

Table 3-4: AC USP revenues, by group, 1998-2002

	Total rev Avg. Ann Gr 1998- 2002	Postal % total rev 2002	Postal Avg. Ann Gr 1998-2002	Financial % total rev 2002	Financial Avg. Ann Gr 1998- 2002
By region					
– Baltic	9.8%	52%	14%	12%	7%
– Central Europe	9.5%	57%	15%	26%	11%
– Central Europe x PL	7.3%	58%	13%	25%	8%
– Mediterranean	4.4%	92%	3%	0%	13%
By size					
– Large	9.6%	57%	16%	26%	12%
– Medium	8.5%	64%	11%	23%	4%
– Small	8.2%	62%	9%	9%	7%

Baltic = EE, LT, LV; Central Europe = CZ, HU, PL, SI, SK; and Mediterranean = CY, MT.

Large = CZ, HU, PL; Medium = SI, SK; Small = CY, EE, LT, LV, MT.

Source: WIK-Consult

Table 3-4 gathers the financial data for AC USPs into groups based on geographic region and corporate size.<sup>27</sup>

On a geographic basis, in the period 1998 to 2002, the Baltic and Central European USPs grew at about 9 to 10 percent per year. The two small Mediterranean USPs managed an annual growth rate of only 4 percent because of Malta's slight loss in total revenues during this period. The CC USPs as a group grew at an annual rate of 7.6 percent (see Table 3-1). Thus, with the exception of Maltapost, all regions experienced annual growth in the 7.5 to 10 percent rate. Even so, there were significant differences in how growth was financed. The Central European USPs appear to be much more heavily involved in financial services (26 percent of total revenues) than the Baltic USPs (12 percent) or the Mediterranean USPs (0 percent). On the other hand, the Baltic USPs (just like CC USPs Bulgarian Posts and Posta Romana) are more dependant than other AC posts on revenues from non-postal types of services including unaddressed newspaper distribution and various payment and bill collection services (e.g. cash delivery of social benefits and pensions or collection of bills for public utilities).<sup>28</sup> These sources of revenue contributed positively to the Baltic USPs while negating some of the gains of the Central European USPs

<sup>27</sup> In this report, the "Baltic" states are Estonia, Latvia, Lithuania; the "Central European" states are Czech Republic, Hungary, Poland, Slovenia, and Slovakia; and the "Mediterran" states are Cyprus and Malta. In terms of size, Česká Pošta, Magyar Posta, and Poczta Polska are considered "large" USPs. Pošta Slovenije and Slovenská Pošta are considered "medium" USPs; and the remaining five are classified as "small".

<sup>28</sup> Payment and bill collection services are provided by most Central European USPs as well but do not account for as high a share of total revenues than in the Baltic states. Moreover, relative importance of those services is lower in the Central European ACs due to higher volumes and revenues related to

## Section 3: Postal Operators and Services

On the basis of size distinctions, it appears that the large and medium-sized USPs each depend upon financial products for about one quarter of their revenues. The large posts, however, seem to have been perceptibly more successful than the medium-sized posts in both the postal and financial service sectors. For the smaller USPs, other services replace financial services as the second source of revenue after postal services.

---

postal services. In addition, a significant percentage of the revenue growth of the Baltic USPs is not allocated to any source (Figure 4-3).

## Section 3: Postal Operators and Services

### 3.2 USP employment, technology and automation

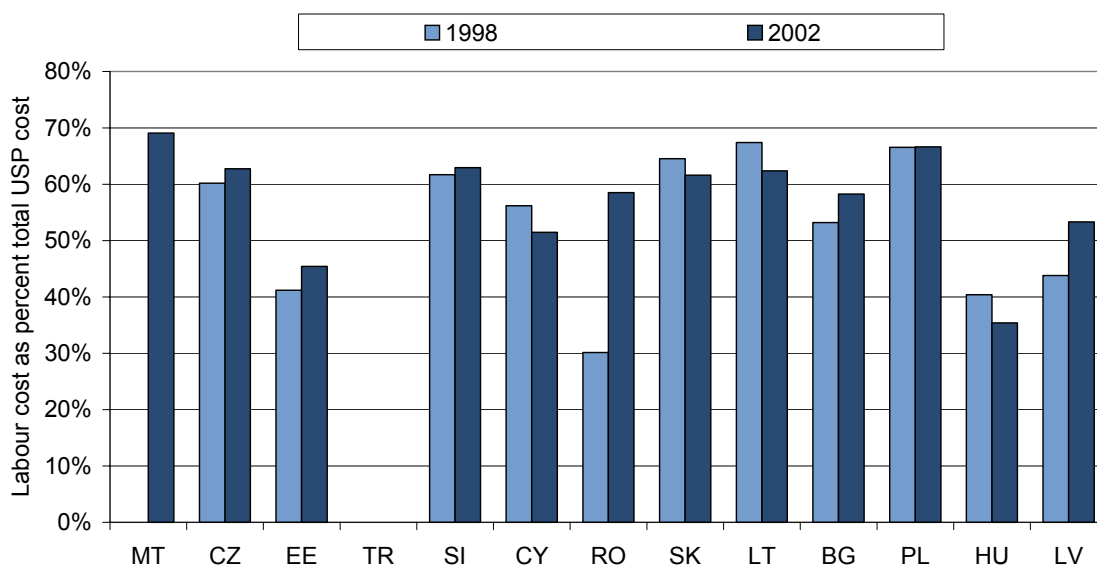
Table 3-5: USP employment, 1998-2002

		1998	1999	2000	2001	2002	Ave. Ann. Growth 1998-2002
Bulgaria	BG	14,692	14,622	13,780	13,323	13,094	-2.8%
Cyprus	CY	711	719	807	821	837	4.2%
Czech Rep.	CZ	42,152	41,228	40,209	39,629	39,265	-1.8%
Estonia	EE	4,636	4,553	4,313	4,170	4,165	-2.6%
Hungary	HU	41,265	41,458	41,155	40,721	41,093	-0.1%
Lithuania	LT	7,285	7,217	7,099	6,872	6,686	-2.1%
Latvia	LV	7,565	7,495	7,378	7,229	7,083	-1.6%
Malta	MT	849	816	830	786	748	-3.1%
Poland	PL	97,702	97,000	97,082	97,260	96,963	-0.2%
Romania	RO	35,249	34,641	34,431	35,010	34,097	-0.8%
Slovenia	SI	5,658	5,691	5,802	5,970	5,948	1.3%
Slovakia	SK	18,001	17,900	17,837	17,747	17,600	-0.6%
Turkey	TR	37,045	35,765	36,384	35,586	34,552	-1.7%
AC		225,824	224,077	222,511	221,205	220,389	-0.6%
CC		86,986	85,028	84,595	83,919	81,743	-1.5%

Note: All figures represents full time equivalents except LV and TR (who provided only headcount information). LV 2002 figure extrapolated from 2000 and 2001.

Source: WIK-Consult.

Figure 3-10: USP labour intensity, 1998 and 2002





## Section 3: Postal Operators and Services

In the AC countries, as in the EU member state, the USPs are important employers. As shown in Table 3-5, AC USPs collectively employed about 221,000 persons in 2002, or about 0.30 percent of the population. In these terms the most important USPs are Magyar Posta and Česká Pošta, employing 0.40 and 0.39 percent of their national populations, respectively. At the other end of the spectrum, the Cyprus Department of Postal Services employs only 0.12 percent of people living in Cyprus; Latvijas Pasts and Maltapost employ about 0.20 percent of the populace. The level of USP employment sustained in the AC countries is only slightly lower than that prevalent in the EU, about 0.35 percent of the population in 2001.<sup>29</sup> In CC countries, the USPs play a less significant role. They employ about 82,000 persons, 0.08 percent of population. Turkish PTT General Directorate employees only 0.05 of the population.

In the last five years, it appears that USP employment has been in a gradual but steady decline. AC USPs have shed 0.6 percent of employees per year while CC USPs have reduced employment at more than twice this rate.

Figure 3-10 shows the change in “labour intensity” from 1998 to 2002 – that is the cost of labour as a percentage of total costs – among AC and CC USPs. In the figures in this section, we continue to display the USPs in order of increasing total revenue growth rates. Contrary to what might be expected from the reduction in the labour force, there appears to be no clear trend towards reducing labour intensity among the high growth USPs.

Figure 3-11 (on next page) suggests why labour intensity has not been reduced. Among high growth USPs, the labour cost per employee has risen by about 10 percent per year or more in the last five years. Indeed, among the large USPs (CZ, HU, PL), labour cost per employee has risen 12 percent per year. Among medium and smaller sized USPs, the growth rate was 7 and 9 percent respectively. In most cases, this cost increase has been substantially offset by a corresponding rise in revenue per employee. It appears, then, that the high growth USPs may be both producing more efficiently and passing on the benefits of efficient production to the employees (including management) and perhaps upgrading the quality of staff.

---

<sup>29</sup> This figure is based on the number of postal employees reported in UPU statistics, supplemented by annual reports of USPs where no UPU data was available. The result is an estimated USP employment total of 1.31 million. For a discussion of different ways to calculate total USP employment in the EU see chapter 4 of PLS Ramboll, *Employment Trends in the EU Postal Sector* (2002).

## Section 3: Postal Operators and Services

Figure 3-11: Growth in labour cost and revenue per employee, 1998-2002

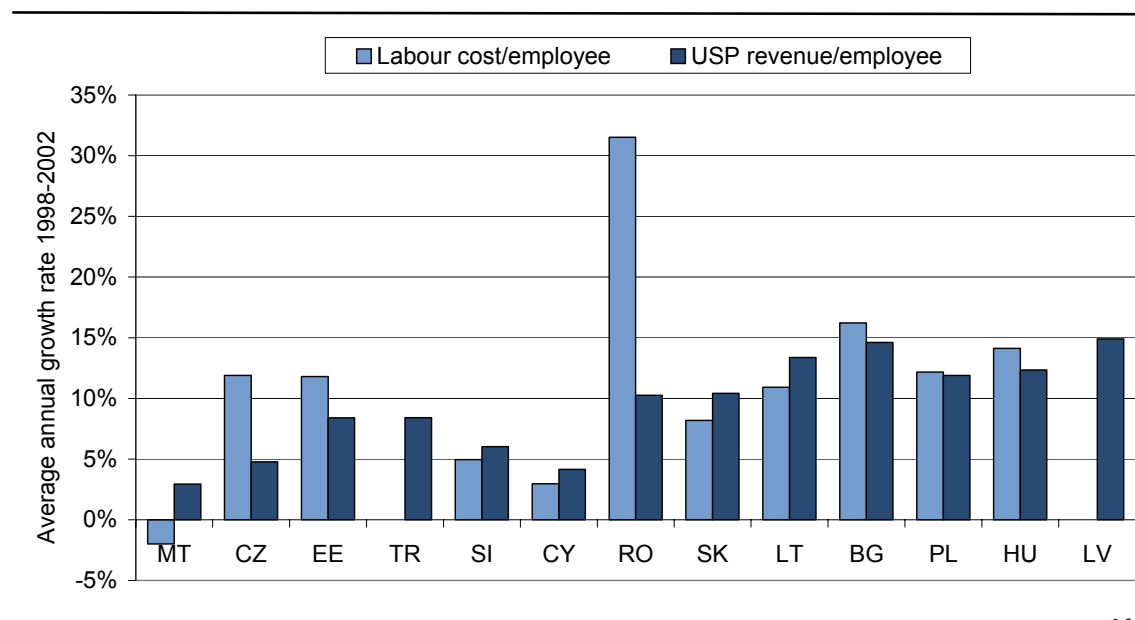


Table 3-6: Estimated USP postal employment (FTE), 1998-2002

		1998	1999	2000	2001	2002	Ave. Ann. Growth 1998-2002
Bulgaria	BG	6,290	5,666	5,592	5,692	5,988	-1.2%
Cyprus	CY	710	719	807	821	837	4.2%
Czech Rep.	CZ	25,112	18,320	25,598	29,730	27,962	2.7%
Estonia	EE	3,114	2,815	2,824	2,888	2,994	-1.0%
Hungary	HU	20,649	24,993	24,603	22,207	24,948	4.8%
Lithuania	LT	3,013	3,107	3,381	3,313	3,252	1.9%
Latvia	LV	3,847	4,488	4,130	4,526	4,473	3.8%
Malta	MT	824	792	783	738	646	-5.9%
Poland	PL	55,306	57,325	60,553	64,111	64,416	3.9%
Romania	RO	9,790	12,074	13,099	13,915	15,316	11.8%
Slovenia	SI	3,934	3,897	4,119	4,260	4,451	3.1%
Slovakia	SK	11,954	12,187	12,094	12,158	12,328	0.8%
Turkey	TR	37,045	35,765	36,384	35,586	34,552	-1.7%
AC		128,463	128,642	138,893	144,751	146,306	3.3%
CC		53,126	53,505	55,075	55,193	55,856	1.3%

Note: Number of postal employees derived from total employment and division of total revenue between postal and nonpostal services (see text).

Source: WIK-Consult.

## Section 3: Postal Operators and Services

Figure 3-11 also indicates that labour costs represent a smaller proportion of total costs for USPs in AC and CC countries than in the EU member states. Among EU USPs, labour costs are about 65 percent of total costs.<sup>30</sup> In 2002, the corresponding figure for AC USPs was 59 percent, essentially unchanged from 1998 (60 percent). Indeed, without Poczta Polska (67 percent), the cost of employees for the other nine AC USPs amounts to only 51 percent of total costs. The difference in the labour intensity experienced by AC and EU USPs is presumably due to the higher level of nonpostal products in the business mix of AC USPs. Postal services tend to be more labour intensive than other activities. While this surmise may be broadly correct, however, it is evident that other factors are at work as well because the level of labour costs is only loosely related to the level of postal revenues. For example, Posta Romana derives 35 percent of its revenues from postal services and expends 59 percent of total costs on labour; Pošta Slovenije derives almost twice as much of its revenues from postal services (66 percent) and expends 63 percent of its total costs on labour. The anomaly in this analysis is Magyar Posta which reportedly expends only 35 percent of total costs on labour and derives 51 percent of its revenue from postal services.

Despite the difficulty of relating the percentage of labour costs to the level of involvement in nonpostal services, it appears useful to adopt a hypothesis about this relationship in order to develop a preliminary assessment of the productivity of AC and CC USPs in respect to the production of postal services. In this report, therefore, we shall assume that a nonpostal employee generates 1.5 times as much revenue as a postal employee – in other words, that postal services are about 50 percent more labour intensive than nonpostal. Using this assumption, it is possible to use the division of revenues among postal and nonpostal services to allocate the total number of employees among postal and nonpostal parts of the business.<sup>31</sup> Table 3-6 sets out the number of postal employees for each USP calculated in this manner.

Using the estimated figures for postal employment presented in Table 3-6, WIK has calculated a basic indicator for productivity of USPs: Letter post items per postal employee<sup>32</sup>. These estimates of the numbers of postal employees imply that AC USPs handle about 31,000 domestic and outward cross border letter post items per employee per year. This is about one half the rate of postal employee production in the EU. The average output for a group of ten EU USPs in 2001 was 71,000 items per employee.<sup>33</sup> On the other hand, AC and CC USPs have substantially less mail per capita to work with, making it more difficult to achieve the high productivity levels achieved in the member states.

---

<sup>30</sup> PLS Ramboll, *Employment Trends in the EU Postal Sector*, page 87(2002).

<sup>31</sup> If P is the percent of total revenues derived from postal services, and X is the ratio of revenue per postal employee to the revenue per nonpostal employee, then the percentage of postal employees, out of total employees, is given by the expression:  $(X*P)/(1-P+X*P)$ .

<sup>32</sup> For the number of letter post items, domestic and outbound cross border items were considered. Including both inbound and outbound items would have led to double counting (Obviously, a cross border item is not collected and delivered by the same USP).

<sup>33</sup> The USPs of DK, DE, EL, ES, FR, IR, IT, LU, PT, and UK.

## Section 3: Postal Operators and Services

Figure 3-12: Letter post per employee v. letter post per capita, 2001

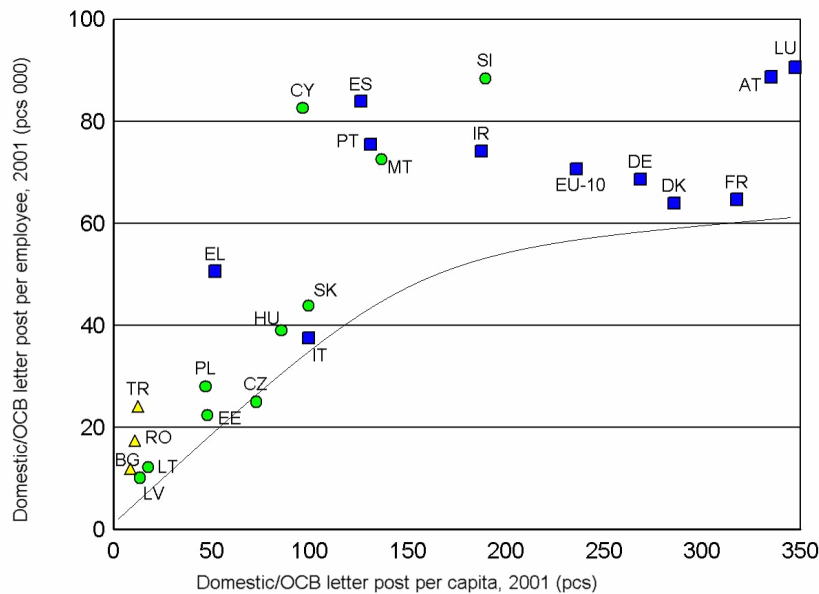


Figure 3-12 explores the relationship between letter post items per employee and letter post items per capita in 2001. This diagram suggests there is a strong relationship between postal labour productivity and letter post volume per capita until letter post volume per capita reaches a level of roughly 150 items per person per year. At this point, one might expect a postal employee to be handling about 60 or 70,000 items per year on average. After this point it appears to be much more difficult to increase the postal labour productivity.

Within the EU, the lower limits of letter post per capita are established by Greece (52) and Italy (99). Six AC USPs have mail volumes that exceed this lower threshold (CY, CZ, HU, MT, SI, SK) and thus may be judged by EU standards of postal labour productivity. Three of these – Cyprus Department of Postal Services, Maltapost, and Pošta Slovenije – appear to have postal labour productivity rates comparable to those achieved by EU USPs generally (again, measured by domestic and outbound cross border letter post items per employee). Two – Magyar Posta and Slovenská Pošta – appear comparable to the least efficient EU USPs. Česká Pošta, with about 25,000 letter post items handled per employee, seems to be relatively inefficient. The remaining four AC USPs and the CC USPs have much less mail per capita so that it appears unreasonable to judge their postal labour productively by the standards of EU USPs. One can, however, tentatively conclude that Poczta Polska and Turkish PTT General Directorate are relatively more efficient than the remaining USPs.

## Automation

As stated in the recent Commission report on employment trends for the EU,<sup>34</sup> automation of postal processes is of particular importance as it creates the possibility for postal operators to substitute capital for labour. In the AC and CC countries, most USPs have made efforts to introduce automation over the last several years. However, opportunities of process automation are limited for many AC USPs, and even more so for CC USPs. The minimum critical volumes needed to justify automation are not being processed at present by many AC and CC USPs. Moreover, there may be “political” circumstances that prevent a USP from laying off personnel made redundant as a result of automation. This is particularly likely in countries where the USP is strongly influenced by a ministry that must accommodate the concerns of other parts of government (e.g. a labour ministry). Both factors can result in a situation where automation does not necessarily increase efficiency. Moreover, many USPs in AC and CC countries appear to lack the capital needed to invest in sorting facilities.

In all countries surveyed, USPs are keenly aware of the issue of critical volumes. As a consequence, many are restructuring their transportation networks. In this process USPs are decreasing – or have decreased recently - the number of sorting centres thereby achieving two beneficial impacts. First, mail volumes are consolidated in fewer processing centres creating the critical mass needed to introduce automation. Second, the number of transportation links is decreased thus saving costs.<sup>35</sup> For example, Poczta Polska presently operates 65 sorting centres. Most are located in downtown areas where there is often not enough space for sorting machines. Poczta Polska therefore plans to introduce in the medium term 10 or 11 newly built and fully automated sorting centres in suburbs. Magyar Posta reported similar intentions. The current number of 58 sorting centres is to be reduced to 18 to 30 in the next few years. Česká Pošta, currently operating 17 sorting centres, plans to reduce the number to 7 by 2006.

For each AC and CC USP, the number of sorting centres and the number of sorting machines that the USP has in operation as of December 2002 is presented in Table 3-7. In addition, three related indicators are displayed: (i) the total volume of domestic and outbound letter post, (ii) the average number of letters per sorting centre, and (iii) the average area served by one sorting centres. Table 3-7 shows that all small AC countries (the three Baltic countries EE, LT, LV and the two Mediterranean islands CY and MT) have organised their postal network around one central sorting centre, which also serves as the transportation hub. In contrast, the high number of sorting facilities in Hungary and Poland appears to be suboptimal.

---

<sup>34</sup> PLS Ramboll, *Employment trends in the EU postal sector*, 2002.

<sup>35</sup> Obviously, there is an optimum number of sorting centres for a given volume of postal items and the geographic conditions of a country. However, most USPs still performed sorting in a “traditional” decentralised way and admittedly operate too many sorting facilities such that a decrease appears efficiency enhancing at present.

Section 3: Postal Operators and Services

Table 3-7: USP automation and sorting centres

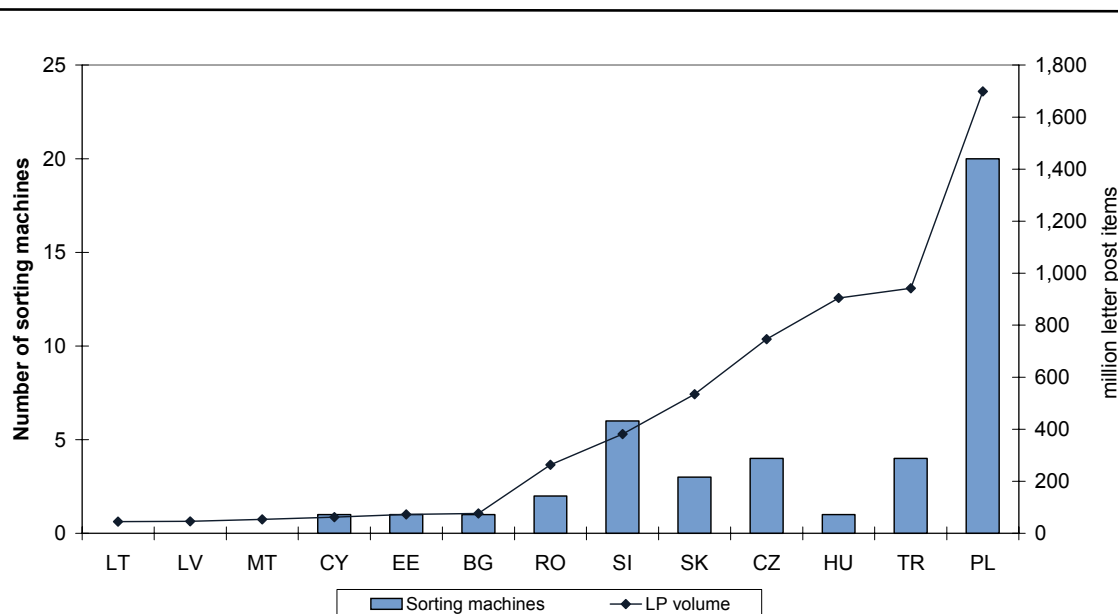
	Sorting centres	Sorting machines	LP Volume 2002, DOM+OCB, (million)	Avg. LP per SC, (million)	Land area per SC, '000 sq.km
BG	12	1	76	6.4	9.2
CY	1	1	63	62.6	5.9
CZ	17	4	747	43.9	4.6
EE	1	1	73	72.7	45.2
HU	58	1	905	15.6	1.6
LT	1	0	45	45.3	65.3
LV	1	0	46	46.4	64.6
MT	1	0	54	53.6	0.3
PL	65	20	1,699	26.1	4.8
RO	9	2	263	29.3	26.5
SI	2	6	381	190.7	10.1
SK	4	3	535	133.7	12.3
TR	16	4	942	58.9	48.1

Notes:

- BG: Only 5 of the 12 processing centres reported are "main sorting centres".
- CZ: The USP did not report its number of sorting centres but stated that four centres are automated.
- RO: In addition to two sorting machines for letters, the USP uses four parcel sorting machines.
- SI: Number reported includes 3 presorting and 3 final sorting machines for letters.
- CZ, LV, MT, SK: Letter post volumes are for 2001.

Source: WIK-Consult.

Figure 3-13: Automation: USP sorting centres and letter post volumes



The relationship between a USP's total volume and the potentials of automation is illustrated graphically in Figure 3-13. The limited use of sorting machinery in smaller countries is unsurprising. While Poczta Polska operated the most sorting machines of all AC USPs, it appears that Pošta Slovenije makes relatively the most use of automation when total volume is taken into account. While centralisation of sorting processes in few locations may be hard to achieve in the large countries like Romania and Turkey, this simple benchmark analysis suggests that further automation might be beneficial in three large ACs: CZ, SK, HU.<sup>36</sup> Indeed, as noted, Česká Pošta and Magyar Posta are both planning to introduce automated sorting. Some of the smaller USPs (LT, LV, MT), however, have considered and rejected automation at current mail volumes.

### 3.3 USP letter post services

#### 3.3.1 Domestic letter post

The letter post consists of the collection, transportation, and delivery of letters, periodic publications (such as newspapers and magazines), and direct mail. Small, lightweight "packets" are also transmitted by the letter post. Post offices traditionally consider items weighing more than one or two kilograms to be "parcels". Parcel post operations may or may not be operationally separate from letter post operations depending of volumes and managerial approach.

The letter post is customarily divided into domestic and cross border services. The domestic letter post is the most basic of the postal services offered by a USP. In most countries more than 90 percent of letter post items are collected and delivered within the national territory. Unlike cross border letter post services, a USP has complete control over the pricing and quality of domestic letter post services. The cross border letter post is a byproduct of the domestic letter post. Outbound cross border (OCB) letter post items are those destined for foreign addressees. They are normally collected by the USP with domestic items and transported to an international gateway for forwarding to USPs in other countries. Inbound cross border (ICB) letter post items are collected by foreign USPs for delivery to domestic addresses. Inbound cross border letter post items are received from around the world and transferred to one or more "offices of exchange" where they are prepared for delivery with domestic letter post items. Domestic and cross border letter post services are not operationally distinct services; in effect, cross border letter post items are treated as additional mail in the

---

<sup>36</sup> The Czech USP failed to report its number of sorting centres but informed WIK that four centres are automated. In case, that the major Czech sorting centres are equipped with several machines, the graph might misrepresent the real situation.

Section 3: Postal Operators and Services

domestic letter post system. Nonetheless, cross border letter post items are separately accounted for so that UPSs can pay charge each other for delivery.

Figure 3-14: EU, AC, and CC domestic letter post volumes, 2001

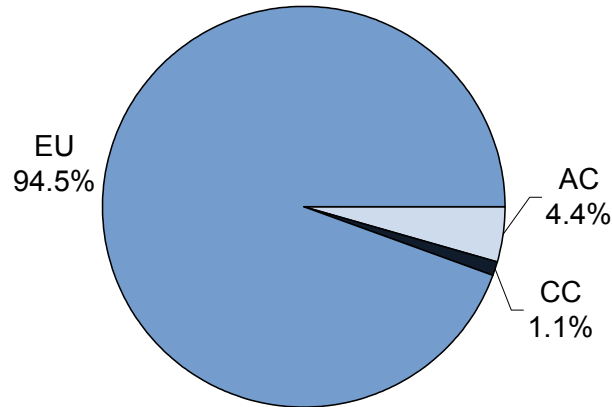


Figure 3-15: Domestic letter post volumes, shares, 2001

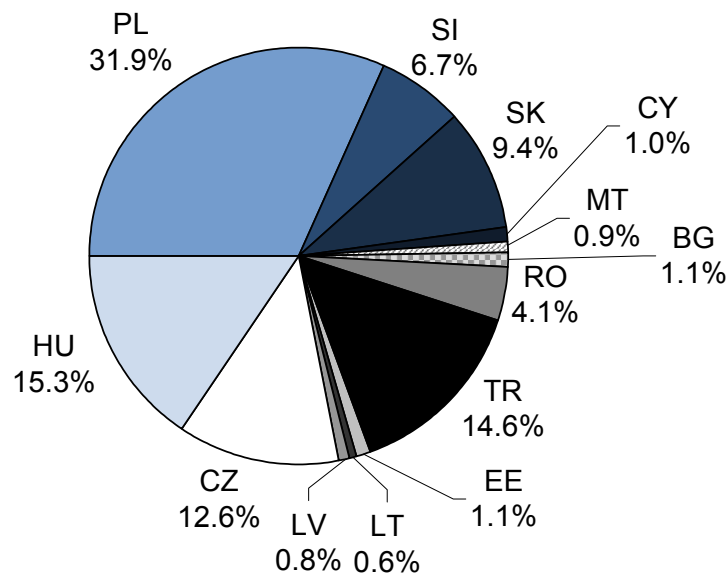




Table 3-8: Domestic letter post volumes, million items, 1998-2002

		1998	1999	2000	2001	2002
Bulgaria	BG	72	67	75	62	71
Cyprus	CY	40	42	50	54	52
Czech Rep.	CZ	700	804	854	698	na
Estonia	EE	57	56	57	60	68
Hungary	HU	533	758	784	850	888
Lithuania	LT	31	32	32	35	40
Latvia	LV	27	28	40	43	na
Malta	MT	43	45	46	48	na
Poland	PL	2.090	2.011	1.597	1.767	1.659
Romania	RO	226	245	215	229	251
Slovenia	SI	322	347	370	369	373
Slovakia	SK	465	485	493	518	na
Turkey	TR	948	986	967	807	903
AC		4.308	4.607	4.324	4.442	na
CC		1.246	1.298	1.256	1.098	1.224
EU-15		na	na	na	95.470	na

Source: WIK-Consult, UPU.

The AC domestic letter post handled about 4.4 billion items in 2001. This represents only 4.7 percent of the EU letter post volume of 95 billion items (all member states). The domestic letter post in the CC countries is only one-fourth as large as in the AC. The relative sizes of the three markets are depicted graphically in Figure 3-14.

Figure 3-15 shows the shares of the combined AC and CC domestic letter post market provided by each national USP. The three largest AC USPs posts comprise 75 percent of the AC market: Poczta Polska (40 percent), Magyar Posta (19 percent), and Česká Pošta (16 percent). In letter post volume, Poczta Polska is about 25 percent larger than the post office of Denmark and a 33 percent smaller than the post office of Austria. Magyar Posta and Česká Pošta are each larger than the Irish post office. The medium-sized AC UPSs, Slovenská Pošta and Pošta Slovenije, are respectively about 10 percent larger and 25 smaller than the Greek post office. The remaining five AC USPs (LT, LV, MT, CY, EE) are each substantially smaller than the post office of Luxembourg. The Turkish PTT General Directorate also is a relative giant, about the same size as Magyar Posta. Posta Romana is about half the size of the Greek post office. Bulgarian Posts is slightly more than half the size of the post office of Luxembourg.

The best available statistics on the volume of domestic letter post in each of the AC and CC countries for the years 1998 to 2002 are presented in Table 3-8. The implied growth rates of growth are set out in Table 3-9 (see next page). The data suggest that the volume of domestic letter post in AC countries grew at an annual rate of 1.0 percent from 1998 to 2002. Considering that GDP increased by 10.8 percent per year in the same period, this might be considered an unimpressive performance. Instead, we regard it as incredible.

## Section 3: Postal Operators and Services

Table 3-9: Average domestic letter post growth rates, 1998-2002

		LP Domestic Avg. Annual Increase 1998-2001	LP Domestic Avg. Annual Increase 1998-2002	Confidence in data
Bulgaria	BG	-5.0%	-0.5%	Poor
Cyprus	CY	10.1%	6.8%	Good
Czech Rep.	CZ	-0.1%	na	Moderate
Estonia	EE	1.8%	4.5%	Good
Hungary	HU	16.6%	13.6%	Poor
Lithuania	LT	4.5%	6.8%	Good
Latvia	LV	16.3%	na	Poor
Malta	MT	3.2%	na	Good
Poland	PL	-5.4%	-5.6%	Poor
Romania	RO	0.5%	2.6%	Moderate
Slovenia	SI	4.6%	3.8%	Good
Slovakia	SK	3.7%	na	Moderate
Turkey	TR	-5.2%	-1.2%	Good
AC		1.0%	na	Poor
CC		-4.1%	-0.4%	Good
EU-10		2.2%	na	
EU high		2.4%	na	
EU low		0.7%	na	

EU-10 = DK, DE, EL, ES, FR, IR, IT, LU, PT, UK; EU high = DE, FR, UK; EU low = EL, IR, IT

Source: WIK-Consult.

Figure 3-16: Domestic letter post and GDP growth rates, 1998-2001

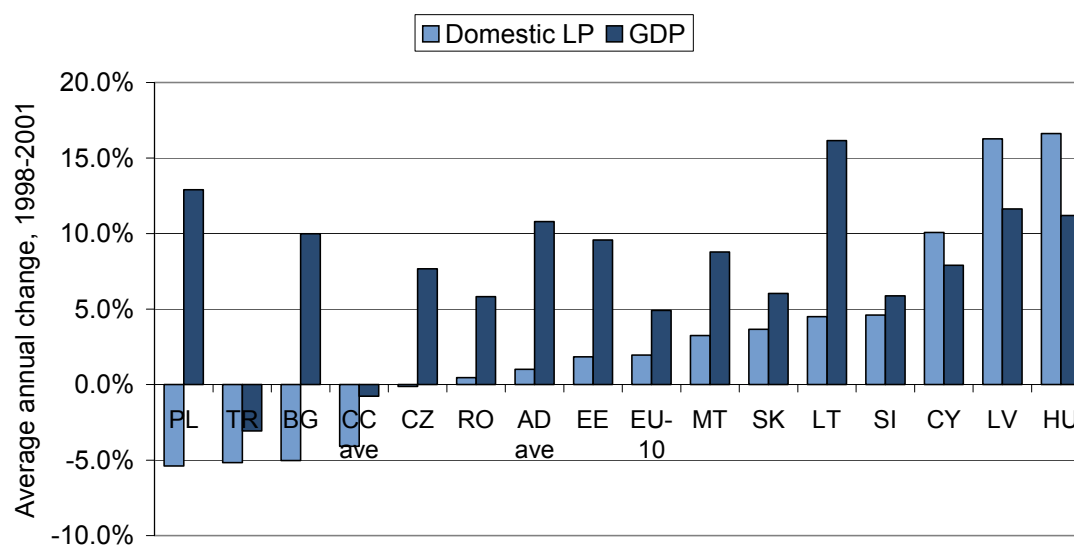


Table 3-10: Possible revision of Polish letter post volumes, 1998-2001

	1998	1999	2000	2001	Avg. Ann. Growth 1998-2001
GDP normalized to 1998	100	103	126	144	12.9%
Domestic LP rev (mil)	381	422	544	714	23.0%
Domestic LP vol (mil)	2,090	2,011	1,597	1,767	-5.4%
Rev per piece	0.182	0.210	0.340	0.404	30.0%
Average 20 gr rate	0.141	0.164	0.200	0.273	24.4%
Rev/pce as % 20 gr rate	129%	128%	170%	148%	
Revised rev/pce as % 20 gr rate	160%	160%	-	-	
Revised rev/pce	0.226	0.262	0.340	0.404	21.2%
Revised domestic LP vol	1,689	1,614	1,597	1,767	1.5%
AC total domestic LP	4,308	4,607	4,324	4,442	1.0%
Revised AC total domestic LP	3,908	4,210	4,324	4,442	4.3%

Source: WIK-Consult.

Available volume data do not appear to be sufficiently reliable to allow firm conclusions about overall volume trends. Figure 3-16 illustrates one reason for scepticism. While letter post volumes do not track changes in GDP precisely, they are at least loosely related over time. Large differences sustained over a four-year period are inherently suspicious. More specifically, Table 3-9 lists WIK's assessments of the reliability of each USP's volume time series.<sup>37</sup>

A consideration of one example, the Polish letter post data, will suffice to illustrate the uncertain nature of the volume time series data. Table 3-10 shows the domestic letter post postal revenues and volumes reported by Poczta Polska from 1998 to 2001. In this four-year period, volume fell by 5.4 percent per year while revenue grew by 23.0 percent per year and GDP by 12.9 percent. How is this possible? One obvious answer is price increases. Poczta Polska in fact increased the price of a 20-gram stamp by about 24 percent per year during this period.<sup>38</sup> However, this price increase was not enough to explain the wide gap between reported volume and revenue trends.

Examination of year-to-year changes in Polish mail volumes shows that most of the recorded volume decrease occurred in 2000, a decline of 21 percent from the year before. The explanation for this reduction is almost surely a change in accounting procedures rather than a change in actual mail volume. This conclusion is strongly implied by a consideration of the relationship between the average revenue per piece and the average stamp price. In general, average revenue per letter post item should be closely related to the price of an ordinary 20-gram standard letter. The great majority of letters are posted at the 20-gram rate and most other rates are proportional to the 20-gram rate. A rise or fall in the 20-gram rate should produce a corresponding rise or fall

<sup>37</sup> These assessments are explained in Appendix 2.

<sup>38</sup> The average 20-gram stamp prices shown in the table do not correspond to actual stamp prices because they reflect mid-year price changes and other effects.

## Section 3: Postal Operators and Services

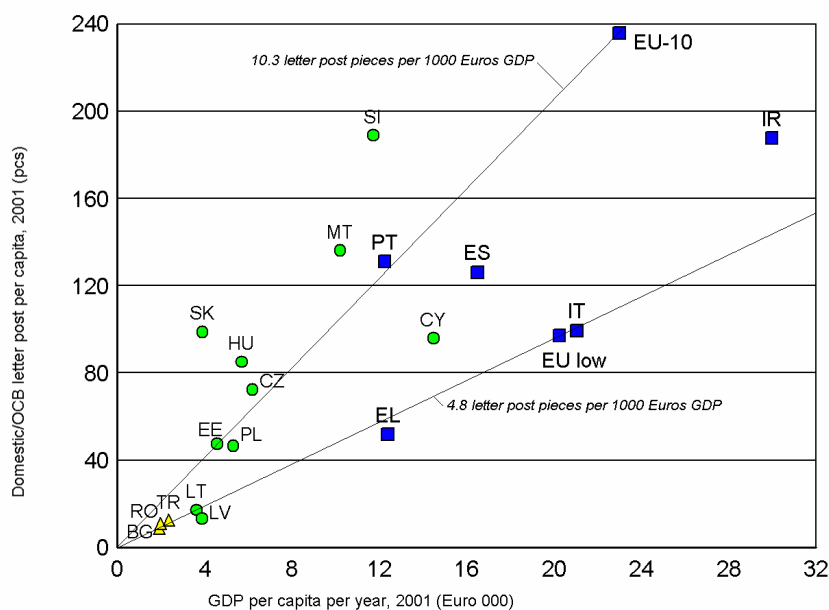
Table 3-11: Domestic letter post per capita and per GDP

		Domestic LP per cap 2001	Domestic LP per cap 2002	GDP per cap Euros 000 2001	Domestic LP per GDP Euros 000 2001
Bulgaria	BG	7.8	8.9	1.9	4.1
Cyprus	CY	76.1	74.1	14.5	5.3
Czech Rep.	CZ	67.8	na	6.2	11.0
Estonia	EE	44.3	50.0	4.5	9.7
Hungary	HU	83.4	87.2	5.7	14.7
Lithuania	LT	14.9	17.0	3.6	4.1
Latvia	LV	12.3	na	3.9	3.2
Malta	MT	121.4	na	10.2	11.9
Poland	PL	45.7	42.9	5.3	8.7
Romania	RO	10.2	11.2	2.0	5.2
Slovenia	SI	185.1	187.2	11.7	15.8
Slovakia	SK	96.0	na	3.9	24.8
Turkey	TR	11.8	13.2	2.4	5.0
AC		59.4	na	5.5	10.8
CC		11.1	12.4	2.2	5.0
EU-10		227.8	na	23.0	9.9
EU high		300.9	na	25.4	11.8
EU low		93.8	na	20.2	4.6

EU-10 = DK, DE, EL, ES, FR, IR, IT, LU, PT, UK; EU high = DE, FR, UK; and EU low = EL, IR, IT

Source: WIK-Consult.

Figure 3-17: Letter post per capita v. GDP per capita



## Section 3: Postal Operators and Services

in the average revenue per piece.<sup>39</sup> Table 3-10 shows that in 2000 and 2001, average revenue per letter post item was roughly 160 percent of the average stamp price (as it was in 2002). If the volume figures for 1998 and 1999 are correct, it must be concluded that the average revenue per letter post item was less than 130 percent of the public tariff in these years. A more plausible interpretation, however, is that Poczta Polska overestimated mail volumes in 1998 and 1999 and improved its estimation technique in 2000.<sup>40</sup> If this surmise is correct, then we can make a very rough guess as to the actual mail volumes in 1998 and 1999 by assuming that the actual average revenue per letter post item was about 160 percent of the 20-gram stamp price. As Table 3-10 shows, this assumption implies substantially lower volumes for the Polish domestic letter post in 1998 and 1999.

This single plausible revision in the inherently implausible Polish letter post data would imply substantial changes in perceived trends in AC postal volumes. Instead of an annual fall of 5.4 percent over the period 1998-2001, Poczta Polska could claim an annual increase of 1.5 percent.<sup>41</sup> For AC countries collectively, such a change in Polish data would raise the annual rate of growth in domestic letter post from 1.0 percent to 4.3 percent.

Poczta Polska is only one of several of the surveyed USPs for whom historical volume data are questionable (e.g., Magyar Posta reported an unbelievable 42 jump in mail volume from 1998 to 1999). Overall, WIK concludes that the reliability of historical volume data for over 80 percent of AC letter post traffic is uncertain. The CC postal data appear more reliable because the statistics of the Turkish PTT General Directorate seem plausible. In light of these conclusions, WIK believes that volume trend analysis is of limited value for the surveyed countries. On the hand, there are indications that Poczta Polska and other USPs are improving their statistical capabilities.<sup>42</sup> Comparative analysis using 2001 and 2002 data therefore appears more informative than trend analysis.

Table 3-11 provides two key indices of AC and CC domestic letter post development: domestic letter post per capita for 2001 and 2002 (where available) and domestic letter post per 1000 Euros in GDP for 2001. Figure 3-17 shows the relations between these two measures for all AC and CC USPs and several EU member state USPs.

Although mail volume per capita is often used as an index of postal development, it is generally recognised that mail volume is generated by economic activity more than by population. Figure 3-17 illustrates this truism. As countries become richer (moving from

---

<sup>39</sup> The average revenue per piece is also affected by the distribution of mail through the weight steps and the distribution of mail among available classes of service, but these distribution patterns are unlikely to change radically year to year.

<sup>40</sup> Poczta Polska confirmed that volume estimation procedures changed in this period but did not provide details.

<sup>41</sup> For the five-year period 1998 to 2002, the revision of 1998 letter post figures would still leave Poczta Polska with average annual loss of 0.5 percent, unimpressive but an improvement over the 5.6 percent annual loss implied by the official figures.

<sup>42</sup> For example, the data tables produced by Magyar Posta and Slovenská Pošta become progressively more detailed over the period 1998 to 2002. See generally Table 1-3, above.

left to right), they achieve higher volumes of mail per capita (moving from bottom to top). At any given level of GDP per capita, it is plausible to suggest that a postal system with more mail per capita is more highly developed in some sense, because of better quality service or lower prices or other factors. On the other hand, it would be unreasonable to compare two USPs operating in countries with quite different levels of GDP per capita.

The slanting lines drawn on Figure 3-17 represent two relationships between increasing GDP per capita and increasing letter post per capita.<sup>43</sup> The top line, drawn from the origin through an “EU-10” point (a composite of ten EU member state USPs), offers an indication of the average improvement in mail volume with GDP accomplished by EU USPs.<sup>44</sup> The bottom line, drawn in such a way as to average the values established by the USPs of Greece, Ireland, and Italy. This “EU low” composite might be taken as a minimum threshold of postal development that AC USPs should be expected to achieve over time. Each line can be expressed as a ratio of letter post items to Euros of GDP. The top line represents 9.9 letter post items per thousand Euros GDP. The bottom line represents 4.6 letter post items per 1000 Euros GDP. In rough terms, any location above the bottom line represents a level of postal development that comports with minimum EU standards, taking into account differences in GDP per capita. Any location above the top line suggests a high level of postal development.

Taken together Table 3-11 and Figure 3-17 suggest that most of the AC USPs are reasonably well developed as postal systems (assuming 2001 volume figures are approximately correct). Six AC USPs (CZ, EE, HU, MT, SI, SK) equal or exceed the average development standard – 9.9 letter post items per 1000 Euros GDP – set by ten EU member state USPs. Two others (CY, PL) fall between average and minimum EU standards. The remaining two AC USPs (LT, LV), while very underdeveloped in absolute terms, are not far from the baseline set by minimum EU practices. Indeed, even in absolute terms, AC USPs fare reasonably well. Most have higher rates of letter post per capita than the Greek post. Cyprus Department of Postal Services and Slovenská Pošta are comparable to the Italian post office; Maltapost to the Portuguese post office; and Pošta Slovenije to the Irish post office. Figure 3-17 also makes quite clear the relatively underdeveloped levels presently occupied by the three CC countries.

---

<sup>43</sup> The data is derived from the USPs, UPU, and other sources. It should be noted that Table 4-15 includes both domestic and outbound cross border letter post traffic to avoid penalizing countries with a large proportion of cross border letter post.

<sup>44</sup> To provide a basis for comparing the letter post in AC and CC countries with the letter post in EU member states, WIK has created three statistical baskets from incomplete sets of data available from the UPU for the period 1998 to 2001. The **EU-10** basket includes the USPs of DK, DE, EL, ES, FR, IT, IR, LU, PT, UK and provides a reasonable approximation of the average values for entire set of fifteen EU posts. The **EU high** basket includes the USPs of DE, FR, and UK and provides a measure of the highest level of EU postal development (measured by letter post items per unit of GDP). The **EU low** basket includes the USPs of EL, IR, and IT and provides a measure of minimal standards of EU postal development. In a few cases, WIK has completed these data sets from other sources, including EU postal quality of service study currently in progress for the EU Commission.

Table 3-12: AC domestic letter posts, by group, 1998-2001

	LP Dom Ave Ann Incr 1998-2001	LP Dom per cap 2001	GDP per cap Euros 000 2001	LP Dom per GDP (000) 2001
By region				
Baltic	6.3%	19.2	3.9	4.9
Central Europe	0.7%	63.2	5.6	11.4
Central Europe excl. PL	6.4%	87.4	5.9	14.7
Mediterranean	6.6%	92.3	12.9	7.1
By size				
Large	-0.1%	56.1	5.5	10.2
Medium	4.1%	120.0	6.0	20.1
Small	6.4%	28.9	5.1	5.7
EU-10	2.4%	292.2	23.0	9.9
EU high	5.3%	445.4	25.4	11.8
EU low	0.7%	93.8	20.2	4.6

Baltic = EE, LT, LV; Central Europe = CZ, HU, PL, SI, SK; and Mediterranean = CY, MT.  
Large = CZ, HU, PL; Medium = SI, SK; Small = CY, EE, LT, LV, MT.

Source: WIK-Consult.

Table 3-12 presents these indices of postal development for AC posts organised by geographic region and by size. Leaving aside Poczta Polska, each region reported a respectable annual growth rate for letter post of 6 percent in the period 1998 to 2001. It also appears that the Baltic and Mediterranean regions offer a level of postal development – measured by letter post per unit of GDP – that is roughly comparable to that achieved by three of the least developed EU posts (EL, IR, IT). The Central European USPs provide a postal service that is roughly as developed as that of the average EU USP when differences in GDP per capita are considered. In more absolute terms, the letter post per capita levels achieved by the Central European USPs (without Poczta Polska) and Mediterranean USPs are comparable to those in the three “EU low” countries. The volume of domestic letter post per capita in the Baltic states, however, is quite low, apparently for general economic reasons.

If this data is analysed by size of USP, the most surprising result is probably the great success of the medium-sized USPs, Pošta Slovenije and Slovenská Pošta, compared to the larger USPs. The medium-sized USPs are fully twice as developed as the larger USPs in terms of letter post volume per unit of GDP. One might imagine that the medium-sized USPs are large enough to achieve economies of scale and small enough to avoid severe organisational problems.

## 3.3.2 Cross border letter post

Figure 3-18: Cross border letter post (OCB+ICB) shares, 2001

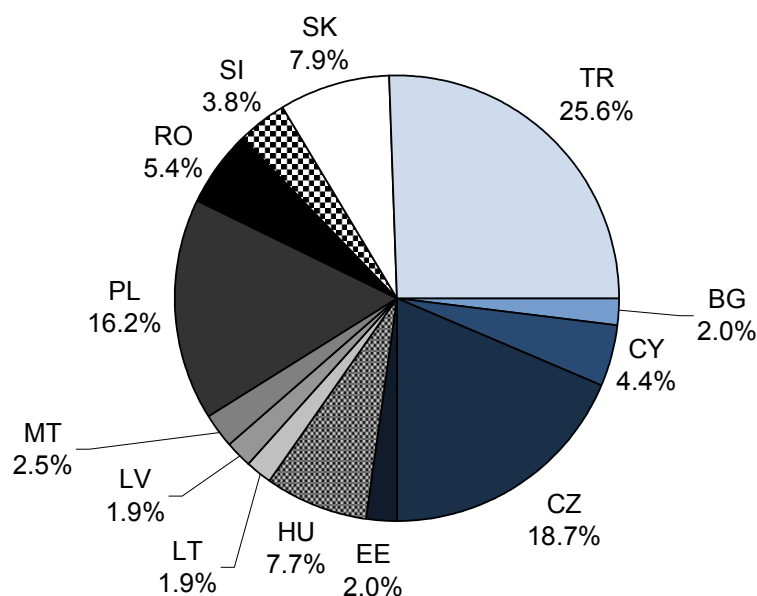


Table 3-13: USP outbound cross border letter post, million items, 1998-2002

Country		1998	1999	2000	2001	2002
Bulgaria	BG	5.2	8.3	6.9	5.9	5.7
Cyprus	CY	11.5	12.8	12.5	14.2	10.3
Czech Rep.	CZ	41.7	39.8	44.8	49.3	na
Estonia	EE	5.6	5.1	5.0	4.6	4.5
Hungary	HU	20.7	20.9	19.4	18.9	16.6
Lithuania	LT	6.6	6.2	5.9	5.7	5.1
Latvia	LV	3.8	3.8	3.8	3.7	na
Malta	MT	4.9	5.2	6.6	5.9	na
Poland	PL	41.0	41.0	41.3	39.8	40.0
Romania	RO	12.4	12.1	12.1	13.1	12.7
Slovenia	SI	8.9	9.0	8.9	8.5	na
Slovakia	SK	19.0	18.9	17.4	16.5	na
Turkey	TR	83.6	59.7	58.4	51.3	38.7
AC		163.7	162.7	165.7	167.2	na
CC		101.3	80.1	77.4	70.2	57.2

Source: WIK-Consult, UPU.



Table 3-14: USP inbound cross border letter post, million items, 1998-2002

		1998	1999	2000	2001	2002
Bulgaria	BG	3.9	5.3	4.4	5.8	5.0
Cyprus	CY	12.5	11.5	12.3	11.2	10.2
Czech Rep.	CZ	60.8	67.1	60.3	57.9	na
Estonia	EE	7.2	7.1	7.3	6.9	6.6
Hungary	HU	24.3	25.2	23.6	25.3	17.9
Lithuania	LT	11.0	9.1	5.8	5.2	5.8
Latvia	LV	8.6	8.2	7.8	7.5	na
Malta	MT	14.9	14.9	10.3	8.4	na
Poland	PL	56.6	56.0	57.1	53.3	50.1
Romania	RO	19.4	18.2	18.2	17.8	13.1
Slovenia	SI	12.9	13.4	13.5	13.5	na
Slovakia	SK	34.3	34.0	32.8	29.2	na
Turkey	TR	143.8	149.2	143.7	95.8	72.5
AC		243.1	246.6	230.7	218.3	na
CC		167.1	172.7	166.4	119.4	90.6

Source: WIK-Consult.

About 3.8 percent of letter post mail collected by AC USPs is sent to cross border addressees and 4.9 percent of letter post mail delivered by USPs originates from other countries. For CC USPs, these proportions are approximately twice as high: 6.4 and 10.9 percent, respectively.

Smaller countries and less developed countries are generally more dependent on cross border postal relations than larger, more developed countries. Figure 3-18 shows the relative shares of AC and CC USPs in the combined cross border postal market (counting both outbound and inbound traffic). By comparing this figure with Figure 3-15, a shift in relative shares may be seen clearly. Poczta Polska, for example, accounts for 32 percent of the domestic letter post market but only 16 percent of the cross border market. On the other hand, the five small Baltic and Mediterranean USPs make up 4 percent of the domestic market but 13 percent of the cross border market. The Turkish PTT General Directorate, which provides 15 percent of the domestic market, accounts for 26 percent of the cross border market.

Table 3-13 and Table 3-14 present the best available statistics on outbound and inbound letter post volumes for AC and CC USPs for the years 1998 to 2002. In general, cross border volume data is likely to be more reliable than domestic volume data because USPs need to maintain volume records to charge each other for delivery of cross border mail. According to these figures, the outbound letter post of the AC USPs grew at a modest 0.7 percent per year during the period 1998 to 2001 while the inbound letter post declined at a rate of 3.5 percent per year. For CC USPs, both outbound and inbound mail flows declined sharply, at 11 and 16 percent per year, respectively.

## Section 3: Postal Operators and Services

Table 3-15: USP cross border letter post, indices, 1998-2001

		OCB LP Avg Ann Gr 1998-2001	ICB LP Avg Ann Gr 1998-2001	OCB LP % Dom LP 2001	ICB LP % Dom LP 2001	OCB LP % ICB LP 2001
Bulgaria	BG	3.8%	-46.6%	9.5%	9.4%	101%
Cyprus	CY	7.2%	-3.6%	26.5%	20.9%	127%
Czech Rep.	CZ	5.7%	-1.6%	7.1%	8.3%	85%
Estonia	EE	-6.4%	-1.2%	7.6%	11.4%	66%
Hungary	HU	-2.9%	1.3%	2.2%	3.0%	75%
Lithuania	LT	-4.8%	-22.0%	16.2%	14.7%	110%
Latvia	LV	-0.6%	-4.4%	8.6%	17.6%	49%
Malta	MT	6.2%	-17.3%	12.4%	17.6%	71%
Poland	PL	-1.0%	-2.0%	2.3%	3.0%	75%
Romania	RO	1.8%	-2.8%	5.7%	7.8%	73%
Slovenia	SI	-1.3%	1.5%	2.3%	3.6%	63%
Slovakia	SK	-4.7%	-5.2%	3.2%	5.6%	56%
Turkey	TR	-14.9%	-12.5%	6.4%	11.9%	53%
AC		0.7%	-3.5%	3.8%	4.9%	77%
CC		-11.4%	-15.9%	6.4%	10.9%	59%
EU-6 LP		-3.7%	1.4%	3.9%	3.3%	118%
EU low		-11.3%	nd	3.6%	6.1%	59%

EU-6 LP = ES, IR, IT, LU, PT, UK and EU low = EL, IR, IT.

Source: WIK-Consult.

Figure 3-19 USP cross border letter post compared to domestic, 1998-2001]

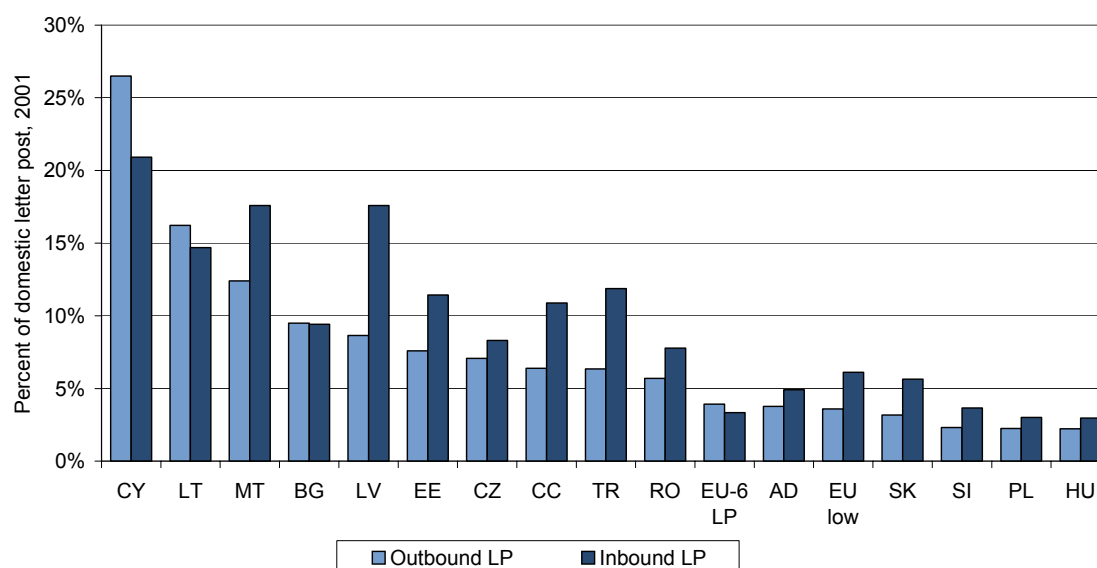


Table 3-15 displays selected indices of the cross border letter post by USP. This table also offers a limited comparison to EU member state USPs because of the unavailability of data.<sup>45</sup>

A major point of interest in respect to cross border mail is the extent to which national letter posts are essentially domestic operations as opposed to adjuncts of larger international postal systems. Table 3-15 shows for each USP that the volume of inbound and outbound cross border letter post mail as a percentage of domestic letter post mail in 2001. Figure 3-19 shows this information graphically, arranged in declining order of outbound mail as a percentage of domestic mail. USPs to the left of the figure are thus the ones most dependent on the cross border postal system. This analysis suggests that the AC posts overall are about as self sufficient as EU posts, with outbound and inbound letter posts amounting to only 4 and 5 percent, respectively, of the AC domestic letter post. The CC USPs are more dependent on cross border mail. For CC posts, the outbound letter post is 6 percent of the domestic letter post, and the inbound letter post is 11 percent of the domestic letter post. As with EU member state posts, there is a wide variation in dependence on cross border trade among AC and CC USPs. The Cyprus Department of Postal Services, Lietuvos Paštas, and Maltapost are involved in cross border trade to roughly the same extent as the posts of Greece and Ireland. A significant imbalance between imports and exports suggests that the posts of Malta, Latvia, and Turkey tend to serve more as destinations than as origins for cross border mail. In all cases, however, the role of cross border trade in the national letter post systems appears to fit within parameters set by the existing EU member states.

---

<sup>45</sup> To provide a rough measure of average EU USP values, a basket of six USPs (ES, IR, IT, LU, PT, UK) is used. This basket is termed **EU-6 LP** since a different grouping is used in describing the EU cross border parcel market. The **EU low** basket, a composite of the USPs of Greece, Italy, and Ireland, provides an indication of the minimum values achieved by EU posts. The EU low basket is used consistently in the analysis of the letter post and parcel markets, both domestic and cross border.

## Section 3: Postal Operators and Services

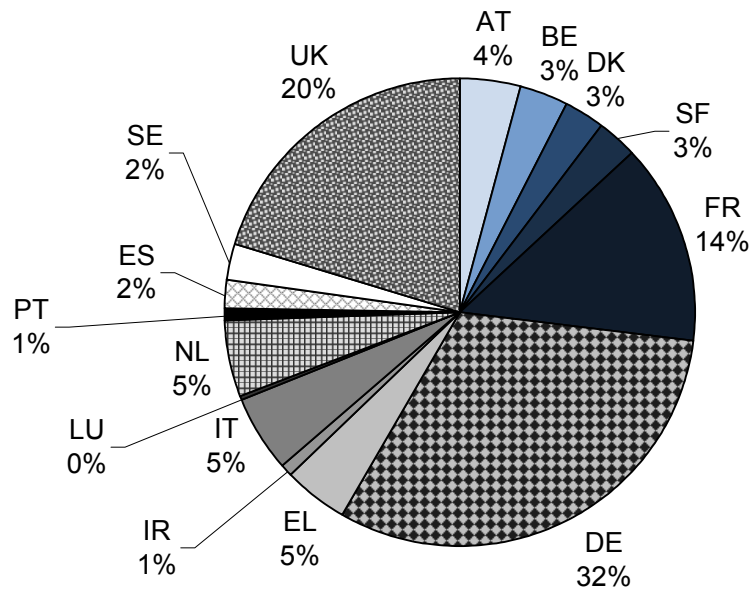
Table 3-16: AC cross border letter post, by group, 1998-2001

	OCB LP Ave. Ann. Gr. 1998-2001	ICB LP Ave. Ann. Gr. 1998-2001	OCB LP % Dom LP 2001	ICB LP % Dom LP 2001	OCB LP % ICB LP 2001
<b>By region</b>					
Baltic	-4.3%	-9.8%	10.1%	14.2%	71%
Central Europe	0.4%	-1.7%	3.2%	4.3%	74%
Central Europe x PL	1.1%	-1.6%	3.8%	5.2%	74%
Mediterranean	6.9%	-10.5%	19.9%	19.3%	103%
<b>By size</b>					
Large	1.5%	-1.2%	3.3%	4.1%	79%
Medium	-3.6%	-3.3%	2.8%	4.8%	59%
Small	1.7%	-10.1%	14.2%	16.4%	87%
EU-6 LP	-3.7%	1.4%	3.9%	3.3%	118%
EU-3 low	-11.3%	na	3.6%	6.1%	59%

Baltic = EE, LT, LV; Central Europe = CZ, HU, PL, SI, SK; and Mediterranean = CY, MT.  
 Large = CZ, HU, PL; Medium = SI, SK; Small = CY, EE, LT, LV, MT.  
 EU-6 LP = ES, IR, IT, LU, PT, UK and EU low = EL, IR, IT.

Source: WIK-Consult.

Figure 3-20: Cross border letter post to/from EU and AC/CC, shares, 2002



Section 3: Postal Operators and Services

Table 3-17: Cross border letter post to/from EU and AC/CC, 2002

	BG	CY	CZ	EE	HU	LT	LV	MT	PL	RO	SI	SK	TR	AC/CC
DE	183	92	-	92	499	136	114	74	1,036	219	209	159	547	3,360
UK	157	258	-	49	214	103	92	234	482	125	89	81	295	2,179
FR	96	63	-	32	198	45	41	46	413	166	70	65	255	1,491
NL	33	17	-	13	88	17	13	16	160	43	29	24	109	561
IT	34	20	-	4	66	7	5	49	149	68	66	30	58	556
EL	36	358	-	0	10	2	1	1	29	14	4	3	27	485
AT	22	5	-	4	125	7	5	6	78	29	92	49	34	456
BE	21	14	-	9	44	11	10	8	89	31	19	19	59	333
DK	13	11	-	21	34	24	24	8	83	18	14	11	37	298
SF	5	5	-	117	28	16	24	2	40	5	6	6	45	298
SE	8	9	-	32	34	15	20	6	77	11	9	11	24	257
ES	51	9	-	2	25	5	2	6	54	25	8	10	21	217
IR	2	5	-	-	12	10	16	6	25	4	0	0	3	83
PT	26	2	-	-	7	1	-	1	20	7	3	1	5	74
LU	-	-	-	-	14	-	-	0	24	0	1	-	9	48
EU	687	869	-	375	1,398	400	365	464	2,758	764	619	470	1,528	10,697

All figures in tonnes of letter post (some of incoming and outgoing cross border).

Source: WIK-Consult.

Table 3-16 organises this AC and CC cross border letter post data by geographic and size groupings. In this chart the relationship between size and dependence on cross border postal relations can be seen clearly. It also appears that the smaller the USP, the larger the loss in inbound cross border mail volume, although it is unclear why this should be so. The column showing the percentage ratio of outbound to inbound cross border mail makes the Baltic and Central European countries are primarily destinations of cross border mail but not so much so than the EU low basket of countries (EL, IR, IT). Overall, only the small Mediterranean posts are substantially dependent on cross border mail (as one would expect).

The AC and CC countries send about 53 percent of cross border letter post mail to EU member states and receive about 70 percent of their cross border mail from the EU.<sup>46</sup> These percentages have remained stable during the five years ending 2002. Figure 3-20 shows the relative shares of EU member states in their exchange of letter post items with AC and CC countries in 2002. This figure combines inbound and outbound mail flows. Germany is by far the leader in cross border letter post exchanges with AC and CC countries, an unsurprising result considering its size and location. Interestingly, the United Kingdom is the second largest participant in cross border letter post exchanges with the AC and CC countries despite its relative distance.

Table 3-17 carries this analysis further, showing the number of tonnes of letter post mail exchanged (in both directions) between pairs of EU and AC/CC countries in 2002.<sup>47</sup>

<sup>46</sup> This statement does not include two cross border mail flows for which complete destination information was unavailable: CZ (outbound and inbound) and TR (outbound only).

<sup>47</sup> This table does not include postal exchanges between the EU and the Czech Republic because Česká Pošta provided no data on origins and destinations of cross border letter post.

## Section 3: Postal Operators and Services

Table 3-18: Intra AC/CC cross border letter post, 2002

	EE	LV	LT	PL	CZ	SK	HU	SI	RO	BG	TR	CY	MT
EE	EE	13	9	5	3	<0.5	1	<0.5	<0.5	<0.5	<0.5	<0.5	<0.5
LV	13	LV	25	10	4	1	1	<0.5	<0.5	<0.5	<0.5	<0.5	<0.5
LT	9	25	LT	28	5	1	2	<0.5	<0.5	<0.5	<0.5	<0.5	<0.5
PL	5	10	28	PL	68	24	31	8	11	12	11	3	1
CZ	3	4	5	68	CZ	360	26	12	17	19	9	<0.5	2
SK	<0.5	1	1	24	360	SK	32	28	4	2	1	<0.5	<0.5
HU	1	1	2	31	26	32	HU	13	62	7	8	3	<0.5
SI	<0.5	<0.5	<0.5	8	12	28	13	SI	2	2	3	<0.5	<0.5
RO	<0.5	<0.5	<0.5	11	17	4	62	2	RO	7	10	1	<0.5
BG	<0.5	<0.5	<0.5	12	19	2	70	2	7	BG	8	9	<0.5
TR	<0.5	<0.5	<0.5	11	9	1	8	3	10	8	TR	59	1
CY	<0.5	<0.5	<0.5	3	<0.5	<0.5	3	<0.5	1	9	59	CY	2
MT	<0.5	<0.5	<0.5	1	2	<0.5	<0.5	<0.5	<0.5	<0.5	1	2	MT
	31	55	71	214	524	455	188	68	114	67	111	77	6

All figures in tonnes of letter post

Source: WIK-Consult.

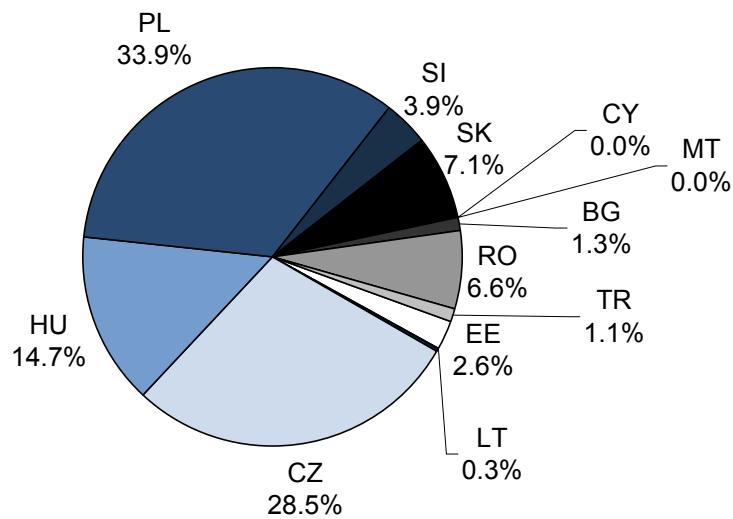
This interesting table plainly shows the influence of proximity and cultural history on cross border postal relations. For example, the large volumes of mail exchanged between Cyprus and the United Kingdom, on one hand, and Cyprus and Greece, on the other, echo of history. So does the heavy exchange between Austria and Hungary. Germany's deep relations with Hungary, Poland, and Turkey are likewise manifest. Spain and Portugal exchange relatively large amounts of correspondence with Bulgaria. Close ties between neighbours Finland and Estonia are evident as well.

The levels of postal exchanges (outbound and inbound) among AC and CC countries in 2002 is show in Table 3-18. In this table, the AC and CC countries are arranged in north to south order because this order places adjoining countries next to each other. By this arrangement, the close correlation between distance and postal activity is clearly revealed. Starting with a country's home cell in Table 3-18, each cell to the top or left provides the amount mail exchanged with its neighbour to the north and each cell to the bottom or right provides the amount of mail exchanged with its neighbour to the south. The more removed from a country's home cell, the more distant its trading partner. Only Poczta Polska spans the entire table and exchanges at least one tonne of mail with every other AC and CC country. The heaviest exchange of cross border mail, 360 tonnes a year, is between two countries that were once one country, the Czech Republic and Slovakia. The large exchange of mail between Cyprus and Turkey likewise speaks of especially strong ties. Hungary's strong postal relationship with Romania is also noteworthy.

### 3.4 USP parcel services

#### 3.4.1 Domestic parcel post

Figure 3-21: USP domestic parcel post, shares, 2001



Unlike the letter post market, the parcels market is open to competition in most countries so USP data cannot be assumed to represent the entire market. Parcel post statistics are significant, however, because they offer as an indication of how well the USP is faring against private operators. Moreover, lightweight parcels – parcels weighing less than 10 or 20 kilograms depending on national legislation – are part of the universal service whose regular provision must be ensured by the government.

In the AC countries, domestic parcel post services handled about 65 million items in 2001 (omitting Latvijas Pasts).<sup>48</sup> This total is approximately one-quarter the size of the large parcel post service of the French USP or three and half times the size of the Spanish parcel post (the size of the entire EU parcel post market is unknown). The domestic parcel post in the CC countries is disproportionately smaller; it is only about one-tenth the size of that in the AC countries, about 6.6 million items per year.

Figure 3-21 shows the shares of the AC and CC domestic parcel post markets provided by each national USP. In 2001, the three largest USPs comprised 85 percent of the AC parcel post market: Poczta Polska (37 percent of the AC market), Česká Pošta (31

<sup>48</sup> In this section, all statements regarding parcel post totals for AC countries omit Latvijas Pasts, for whom parcel data is incomplete and implausible.

## Section 3: Postal Operators and Services

Table 3-19: USP domestic parcel volumes, thousands, 1998-2002

Country		1998	1999	2000	2001	2002
Bulgaria	BG	661	711	875	920	952
Cyprus	CY	0.5	0.3	0.2	0.1	0.1
Czech Rep.	CZ	18,855	17,604	15,230	20,207	na
Estonia	EE	1,958	1,647	1,294	1,861	2,183
Hungary	HU	10,563	10,253	10,569	10,456	10,460
Lithuania	LT	91	127	184	185	83
Latvia	LV	73	316	450	na	na
Malta	MT	0.5	0.2	0.2	0.3	na
Poland	PL	26,357	24,619	25,087	24,086	23,137
Romania	RO	6,383	5,395	4,911	4,683	5,048
Slovenia	SI	1,270	2,010	2,510	2,760	3,340
Slovakia	SK	6,535	5,856	5,252	5,010	4,534
Turkey	TR	809	947	785	795	859
AC		65,630	62,116	60,126	64,566	na
CC		7,853	7,053	6,571	6,398	6,859

Source: WIK-Consult, UPU. Totals for AC omit LV.

Table 3-20: USP domestic parcels growth rates, 1998-2002

Country		Dom Parcels Ave Ann Incr 1998-2001	Dom Parcels Ave Ann Incr 1998-2002	Confidence in data
Bulgaria	BG	11.5%	9.5%	Good
Cyprus	CY	-34.3%	-28.5%	Poor
Czech Rep.	CZ	2.3%	na	Poor
Estonia	EE	-1.7%	2.8%	Poor
Hungary	HU	-0.3%	-0.2%	Good
Lithuania	LT	26.3%	-2.4%	Poor
Latvia	LV	na	na	Poor
Malta	MT	-15.1%	na	Poor
Poland	PL	-2.9%	-3.2%	Good
Romania	RO	-9.7%	-5.7%	Good
Slovenia	SI	29.2%	27.3%	Poor
Slovakia	SK	-8.4%	-8.7%	Good
Turkey	TR	-0.6%	1.5%	Moderate
AC*		-0.5%	na	Moderate
CC		-6.5%	-3.3%	Good
EU-6 CP*		-0.7%	na	
EU-3 low		-1.8%	na	

EU-6 CP = ES, FR, IR, IT, LU, PT and EU-3 low = EL, IR, IT.

\*Totals for AC omit LV. EU-6 CP includes 1999-2001 only

Source: WIK-Consult.



## Section 3: Postal Operators and Services

percent), and Magyar Posta (16 percent). With about 24 million parcels per year, Poczta Polska's parcel post business is about 30 percent larger than that of the Spanish USP but only 75 percent of the Danish USP's. Česká Pošta's parcel post is also larger than the Spanish parcel post, but only by a few percent. Magyar Posta, although substantially larger than Česká Pošta in the letter post market, is only about half its size in the parcel post market. Magyar Posta's parcels business is about a fifth larger than that of the Portuguese and Irish posts. With respect to the medium-sized AC USPs, Slovenská Pošta, which has 40 percent more letter post traffic than Pošta Slovenije, has 80 percent more parcel post traffic. Slovenská Pošta has a little more than half the parcels volume of the Portuguese and Irish USPs or about 84 percent that of the Greek USP; Pošta Slovenije is about the same size as the Greek USP in the parcels market. Among the small AC USPs, Eesti Post excels in the parcels business with about 70 percent the traffic of the Greek USP. In the other Baltic states, the parcel post is much smaller, and in the Mediterranean states (CY, MT), it is almost nonexistent. Among the CC USPs, Posta Romana stands out. Its parcels business is about the same size as Slovenská Pošta's. The parcel posts in Bulgaria and Turkey are each about one third the size of the Greek parcel post. Volume statistics for parcel post in each of the AC and CC countries for the years 1998 to 2002 are presented in Table 3-19.

Parcel post traffic in AC countries overall remained flat for the years 1998 to 2001; for the CC posts, volume declined by an average of 6.5 percent per year. A notable exception to this bleak picture was Pošta Slovenije which increased its parcel post business substantially each year, averaging a 29 percent per year. Among CC USPs, the major part of the decline was due to reduction in the business of Posta Romana. It should be noted, however, that compared to other USPs, Posta Romana has maintained high parcel and express volumes despite difficult economic times. Average annual rates of growth for 2001 and 2002 for each AC and CC USP are set out in Table 3-20. Statistics for two baskets of EU USPs are included as well: the three "EU low" USPs (EL, IR, IT) representing a minimum level of EU postal capability and a somewhat more representative group of six EU USPs ("EU-6 CP") for which sufficient parcel data is available.<sup>49</sup> Table 3-20 also lists WIK's assessments of the reliability of each USP's volume time series.<sup>50</sup> In general the parcel post data appear marginally more reliable than the letter post data.

---

<sup>49</sup> The **EU-6 CP** basket includes six USPs – EL, ES, FR, IR, IT, PT – for which generally complete domestic and cross border parcel data is available from the UPU. Due to the low number of USPs, the EU-6 CP basket provides a very approximate sense of the EU parcel post market as a whole.

<sup>50</sup> These assessments are explained in Appendix 2.

## Section 3: Postal Operators and Services

Table 3-21: USP domestic parcels per capita and per GDP, 2001

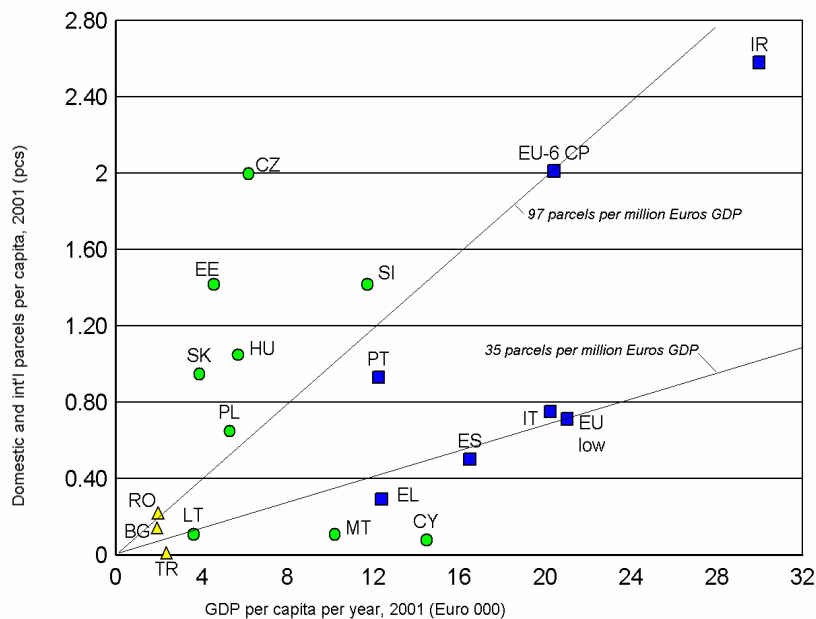
		Dom Parcels per cap 2001	Dom Parcels per cap 2002	GDP per cap Euros 000 2001	Dom Parcels per GDP Euros mil 2001
Bulgaria	BG	0.12	0.12	1.9	60
Cyprus	CY	0.00	0.00	14.5	0
Czech Rep.	CZ	1.97	na	6.2	319
Estonia	EE	1.36	1.60	4.5	300
Hungary	HU	1.03	1.03	5.7	181
Lithuania	LT	0.08	0.04	3.6	22
Latvia	LV	na	na	3.9	na
Malta	MT	0.00	na	10.2	0
Poland	PL	0.62	0.60	5.3	118
Romania	RO	0.21	0.23	2.0	105
Slovenia	SI	1.39	1.68	11.7	118
Slovakia	SK	0.93	0.84	3.9	240
Turkey	TR	0.01	0.01	2.4	5
AC*		0.91	na	5.6	162
CC		0.06	0.07	2.2	29
EU-6 CP		1.97	na	20.4	97
EU low		0.71	na	20.2	35

EU-6 CP = ES, FR, IR, IT, LU, PT and EU-3 low = EL, IR, IT.

\*Totals for AC omit LV.

Source: WIK-Consult.

Figure 3-22: Parcel post per capita v. GDP per capita



## Section 3: Postal Operators and Services

As in the letter post market, parcel post volumes in AC and CC countries are low relative to EU member states if compared on a per capita basis but much more respectable when differences in GDP are taken into account. Table 3-21 sets out the number of parcels per capita and parcels per million Euros of GDP achieved in 2001 by each surveyed USP. The average number of domestic parcels per capita carried by AC USPs in 2001 was 0.91, low compared to 1.97 for the EU-6 CP posts but nonetheless higher than the 0.71 achieved by the EU low posts. CC USPs handle only a microscopic 0.06 parcels per capita per year. On a GDP basis, AC posts handled 162 parcels per million Euros in GDP in 2001. This is almost twice the figure achieved by the EU-6 CP posts and more than four times that of the EU low posts.

Figure 3-22 shows the relationship between these indexes graphically in the same manner as in the preceding letter post analysis. As before, the lower line gives a rough indication of the minimum standards of achievement set by EU member state USPs, and the upper line roughly indicates an average EU level of production. AC and CC USPs which occupy a position above the lower line are roughly within existing EU USP norms while a position above the upper line indicates a very respectable level of development by EU standards. As this figure makes very clear, AC averages mask very wide variations in parcel post development. Maltapost and the Cyprus Department of Postal Services have virtually no domestic parcel post business (although each handles significant quantities of cross border parcels). Lietuvos Paštas also provides a relatively low level of parcel services.<sup>51</sup> On the other hand, Magyar Posta, Slovenská Pošta, Eesti Post, Česká Pošta, and Pošta Slovenije appear to be doing well in the parcel post business by EU standards with Poczta Polska not too far behind.

---

<sup>51</sup> Latvijas Pasts likewise appears to have a relatively small parcel business although questionable volume numbers render this conclusion preliminary.

Table 3-22: AC USP domestic parcels, by group, 1998-2001

	<b>Dom Parcels Ave Ann Incr 1998-2001</b>	<b>Dom Parcels per cap 2001</b>	<b>GDP per cap Euros 000 2001</b>	<b>Dom Parcels per GDP Euros mil 2001</b>
<b>By region</b>				
Baltic	na	na	3,9	na
Central Europe	-0,6%	0,94	5,6	169
Central Europe x PL	1,1%	1,38	5,9	233
Mediterranean	-22,9%	0,00	12,9	0,03
<b>By size</b>				
Large	-0,6%	0,93	5,5	168
Medium	-0,2%	1,05	6,0	176
Small*	0,0%	0,42	6,0	71
EU-6 CP	-0,7%	1,97	20,4	97
EU-3 low	-1,8%	0,71	20,2	35

EU-6 CP = ES, FR, IR, IT, LU, PT and EU-3 low = EL, IR, IT.

Large = CZ, HU, PL; Medium = SI, SK; Small = CY, EE, LT, LV, MT.

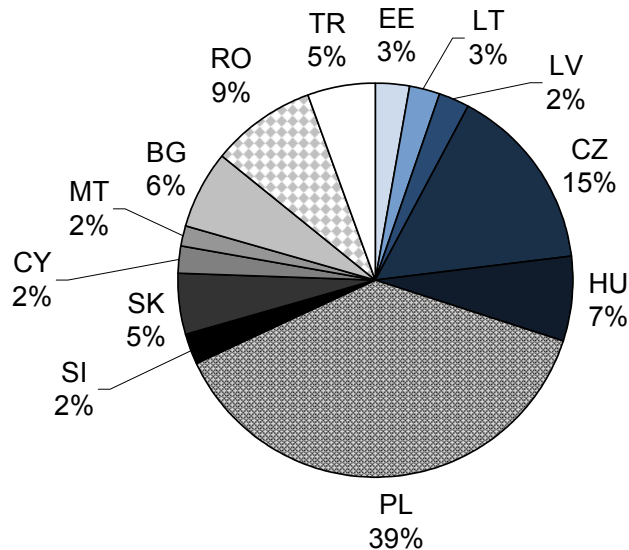
\*Totals for Small omit LV.

Source: WIK-Consult.

Table 3-22 presents the domestic parcel post indexes for AC countries by regional and size groupings. On a regional basis, the parcel post business in the Baltic states is relatively underdeveloped despite the strong performance of Eesti Post. The parcel post business in Central Europe appears generally satisfactory, although Poczta Polska brings down the average significantly as it does in the domestic letter post. As noted, the Mediterranean posts have almost no domestic parcels business. Grouping the USPs on the basis of size reveals that the medium-sized USPs do not have the great advantage over large USPs in the parcels market that they enjoy in the letter post market. The parcels business of the small is about half as developed as that of the large USPs.

### 3.4.2 Cross border parcel post

Figure 3-23: USP cross border parcel post (OCB+ICB) shares, 2001



As with the letter post, the cross border parcel post is relatively small compared to domestic services. In AC countries, outbound cross border parcels constitute only 1.0 percent of all parcels collected and 2.2 percent of all parcels delivered. For CC countries, these percentages are about 2.1 and 6.5 percent, respectively. As these figures imply, however, the cross border parcel post differs markedly from the cross border letter post in the ratio of outbound to inbound items. Whereas in the AC countries the volume of outbound letter post items is more than three-quarters the volume of inbound, for parcels the volume of outbound is less than half the volume of inbound. For CC countries a similar shift in favour of inbound traffic is evident.

Figure 3-23 shows the relative shares of the cross border parcel post market held by each USP. Because the parcel business is competitive, there is no clear tendency for small USPs to be more prominent in the cross border parcel post than in the domestic parcel post (as there is the letter post). A comparison of this figure to Figure 3-21 (domestic letter post shares) shows that Poczta Polska is relatively more prominent in the cross border parcel post than in the domestic, while Magyar Posta and Česká Pošta are less so. Bulgarian Posts and the Turkish PTT General Directorate, which have very little domestic parcel post, have a much more substantial presence in the cross border parcel post sector.

## Section 3: Postal Operators and Services

Table 3-23: USP outbound parcel post volumes, thousands, 1998-2002

		1998	1999	2000	2001	2002
Bulgaria	BG	24	33	41	34	36
Cyprus	CY	10	10	11	11	12
Czech Rep.	CZ	146	151	203	215	na
Estonia	EE	27	21	25	29	29
Hungary	HU	52	54	59	57	63
Lithuania	LT	10	10	12	17	23
Latvia	LV	7	8	10	10	10
Malta	MT	11	12	11	12	na
Poland	PL	235	238	248	250	193
Romania	RO	35	51	56	68	92
Slovenia	SI	15	17	16	14	17
Slovakia	SK	37	37	38	38	39
Turkey	TR	40	36	32	35	38
AC		551	557	633	651	na
CC		98	119	129	137	166

Source: WIK-Consult, UPU.

Table 3-24: USP inbound parcel post volumes, thousands, 1998-2002

		1998	1999	2000	2001	2002
Bulgaria	BG	123	122	153	138	146
Cyprus	CY	48	49	47	46	46
Czech Rep.	CZ	180	176	194	193	na
Estonia	EE	45	44	46	47	45
Hungary	HU	141	143	141	134	147
Lithuania	LT	45	48	52	52	54
Latvia	LV	50	49	57	55	na
Malta	MT	39	37	36	31	na
Poland	PL	774	684	719	770	273
Romania	RO	202	180	173	168	170
Slovenia	SI	58	57	55	50	49
Slovakia	SK	105	95	93	98	98
Turkey	TR	117	119	91	110	100
AC		1,485	1,381	1,438	1,477	na
CC		442	422	417	417	417

Source: WIK-Consult, UPU.

Section 3: Postal Operators and Services

Table 3-25: USP cross border parcel post, indices, 1998-2001

		<b>OCB Parcels Avg Ann Gr 1998-2001</b>	<b>ICB Parcels Avg Ann Gr 1998-2001</b>	<b>OCB Parcels % Dom Parcels 2001</b>	<b>ICB Parcels % Dom Parcels 2001</b>	<b>OCB Parcels % ICB Parcels 2001</b>
Bulgaria	BG	13.0%	3.8%	3.7%	15.0%	24.8%
Cyprus	CY	3.1%	-1.1%	8,237.8%	34,352.6%	24.0%
Czech Rep.	CZ	13.5%	2.4%	1.1%	1.0%	111.1%
Estonia	EE	2.3%	1.4%	1.5%	2.5%	60.7%
Hungary	HU	3.2%	-1.8%	0.5%	1.3%	42.9%
Lithuania	LT	17.3%	4.7%	9.0%	28.0%	32.1%
Latvia	LV	14.8%	3.3%	na	na	18.7%
Malta	MT	1.6%	-6.7%	3,610.0%	9,493.6%	38.0%
Poland	PL	2.0%	-0.2%	1.0%	3.2%	32.4%
Romania	RO	24.3%	-5.9%	1.4%	3.6%	40.2%
Slovenia	SI	-2.2%	-4.5%	0.5%	1.8%	27.1%
Slovakia	SK	0.4%	-2.4%	0.8%	2.0%	38.5%
Turkey	TR	-3.9%	-1.8%	4.4%	13.9%	32.0%
AC*		5.7%	-0.2%	1.0%	2.2%	44.1%
CC		11.6%	-1.9%	2.1%	6.5%	32.9%
EU-6 CP		-4.9%	-1.5%	1.1%	0.9%	133%
EU low		-17.8%	-3.8%	2.9%	2.7%	106%

EU-6 CP = ES, FR, IR, IT, LU, PT and EU low = EL, IR, IT.  
\*AC OCB/Domestic and ICB/Domestic ratios omit LV.

Source: WIK-Consult.

Table 3-23 and Table 3-24 provide the cross border parcel post volumes for each USP for the period 1998 to 2002. Table 3-25 displays selected indices of the cross border parcel post of each USP. This table also offers a limited comparison to EU member state USPs. A striking feature of these tables is that for both AC and CC posts, in the period 1998 to 2001, outbound parcel post grew despite declines in the inbound parcel post. For EU USPs, outbound parcel post has apparently declined more than inbound. The outbound parcel post would seem to be more indicative of the commercial competence of a USP than the inbound. From this perspective, Bulgarian Posts, Česká Pošta, Lietuvos Paštas, Latvijas Pasts, Posta Romana have been especially successful.

## Section 3: Postal Operators and Services

Figure 3-24: USP cross border parcel post compared to domestic, 1998-2001

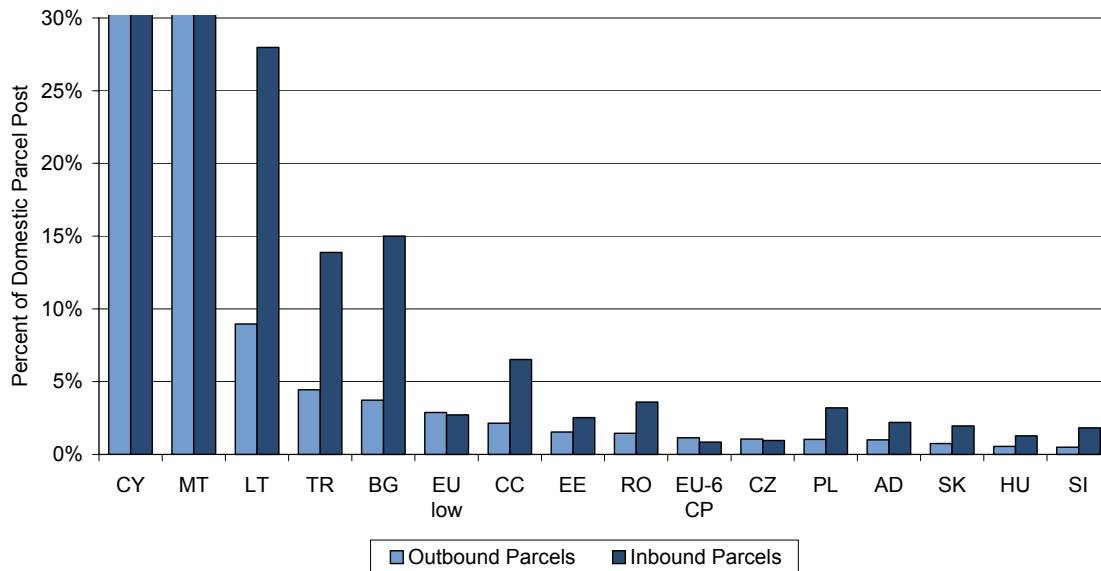


Table 3-26: AC USP cross border parcel post, by group, 1998-2001

	OCB Parcels Avg Ann Gr 1998-2001	ICB Parcels Avg Ann Gr 1998-2001	OCB Parcels % Dom Parcels 2001	ICB Parcels % Dom Parcels 2001	OCB Parcels % ICB Parcels 2001
<b>By region</b>					
Baltic	8.2%	3%	na	na	36%
Central Europe	5.6%	-0.3%	0.9%	2.0%	46%
Central Europe x PL	8.9%	-0.6%	0.8%	1.2%	68%
Mediterranean	2.3%	-3.6%	> 50	> 167	30%
<b>By size</b>					
Large	6%	0%	1.0%	2.0%	48%
Medium	0%	-3%	0.7%	1.9%	35%
Small*	6%	1%	3.3%	0.0%	34%
EU-6 LP	-4.9%	-1.5%	1.1%	0.9%	133%
EU-3 low	-17.8%	-3.8%	2.9%	2.7%	106%

Baltic = EE, LT, LV; Central Europe = CZ, HU, PL, SI, SK; and Mediterranean = CY, MT.

Large = CZ, HU, PL; Medium = SI, SK; Small = CY, EE, LT, LV, MT.

EU-6 CP = ES, FR, IR, IT, LU, PT and EU-3 low = EL, IR, IT.

\*Small OCB/Domestic and ICB/Domestic ratios omit LV.

Source: WIK-Consult.



## Section 3: Postal Operators and Services

Figure 3-24 shows the ratios of outbound and inbound parcels to the domestic market. From this figure it is clear that Cyprus Department of Postal Services, Maltapost, and Lietuvos Paštas are very dependent on the cross border parcels market. Bulgarian Posts, Latvijas Pasts, Pošta Slovenije, and the Turkish PTT General Directorate are substantially involved in the cross border parcels market. For the other AC and CC posts, the cross border parcel post business is not very significant compared to the domestic business. Overall, it is evident that both AC and CC countries are essentially destinations for cross border parcel post more than origins because the inbound volume exceeds the outbound by a wide margin.

Table 3-26 presents the AC cross border parcels market grouped by geographic region and size. This table emphasises the strong growth in the outbound cross border parcel post in the Baltic and Central European states (excepting Poland). The table also suggests that medium-sized USPs have done especially poorly in the cross border parcel post business, although there is no obvious reason why this poor performance should be a size-based phenomenon.

Section 3: Postal Operators and Services

Figure 3-25: Cross border parcel post to/from AC/CC, EU shares, 2002

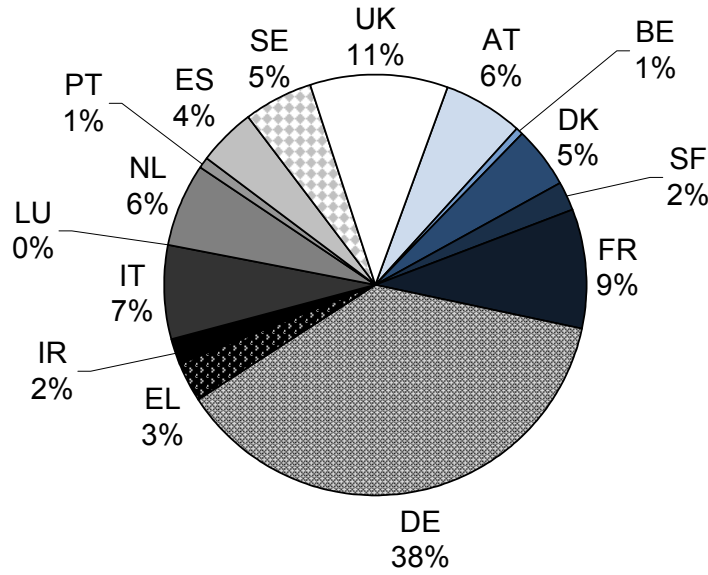
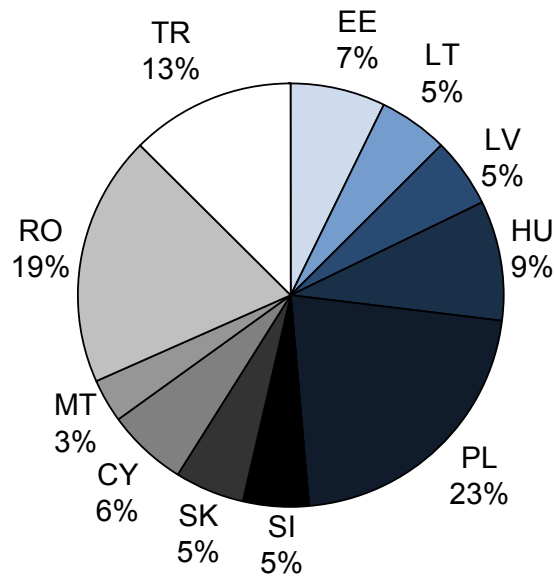


Figure 3-26: Cross border parcel post to/from EU, AC/CC shares, 2002



## Section 3: Postal Operators and Services

In 2002, AC and CC USPs send about 46 percent of their outbound parcels to the EU and receive about 51 percent of their inbound parcels from the EU (omitting Bulgarian Posts and Česká Pošta).<sup>52</sup> Because of the competitive nature of the cross border parcels business it would be inappropriate to provide details of bilateral markets. Figure 3-25, however, shows how the collective parcel postal traffic to and from the AC and CC countries is shared among EU member state USPs. These shares are similar to those in the cross border letter post market (Figure 3-20) with some notable exceptions. The German USP has a significantly higher share of the parcel trade, and the USPs of France and the United Kingdom have significantly lower shares.

Figure 3-26 shows how the parcel post traffic to and from the EU is shared among the AC and CC USPs. As parcel post trading partners, the USPs of the Baltic states and Posta Romana occupy a significantly larger role than they do in the letter post exchange.

---

**52** Data in this paragraph and the accompanying figures omit Bulgarian Posts and Česká Pošta for which no data are available. The proportions given are based on weights of parcel shipments provided by USPs and on estimates of weights made by WIK from data supplied by USPs.

### 3.5 USP express services

Table 3-27: USP express services growth rates, 1998-2002

		Dom Express Ave Ann Gr <b>1998-2002</b>	OCB Express Ave Ann Incr <b>1998-2002</b>	ICB Express Ave Ann Incr <b>1998-2002</b>
Bulgaria	BG	3%	0.1%	7.8%
Cyprus	CY	no service	2.5%	1.1%
Czech Rep.	CZ	na	na	na
Estonia	EE	na	8.0%	-14.5%
Hungary	HU	13%	-4.2%	-1.4%
Lithuania	LT	na	11.8%	8.2%
Latvia	LV	na	na	na
Malta	MT	no service	na	na
Poland	PL	-3%	2.9%	-0.9%
Romania	RO	26%	6.2%	23.2%
Slovenia	SI	57%	-12.2%	-6.5%
Slovakia	SK	na	na	na
Turkey	TR	-10%	-7.2%	-5.7%
AC (part)*		na	1.7%	-0.6%
CC		na	-4.5%	5.9%

\*AC total includes CY, EE, HU, LT, PL, SI

Source: WIK-Consult.

A domestic express service is commercially feasible only in a large country without regular next morning postal delivery. Among AC USPs only Magyar Posta, Poczta Polska, Pošta Slovenije, and Slovenská Pošta seem to provide domestic express postal services to a significant extent.<sup>53</sup> As shown in Table 3-27,<sup>54</sup> from 1998 to 2002, Magyar Posta's domestic express service grew at a substantial average annual rate of 13 percent. Pošta Slovenije's domestic express volume has been built up rapidly since 1998 and now (in 2002) has achieved about the same relationship to the volume of letter post mail as experienced in Hungary and Poland. On the other hand, Poczta Polska's domestic express business declined at annual rate of 3.5 percent over the period 1998 to 2002.

All CC USPs also provide a domestic express service, but these services appear to be qualitatively different from the express mail service typically provided by AC (and EU) USPs. In the CC countries, domestic express mail service is faster and more expensive

<sup>53</sup> Česká Pošta is an obvious candidate to provide domestic express mail services but did not provide volume or revenue data in this survey.

<sup>54</sup> Given the highly competitive and non-universal nature of this market, it would be inappropriate to provide details of the cross border express services of AC and CC USPs in this report.

## Section 3: Postal Operators and Services

than the normal letter post but its price premium is not nearly as great as in AC countries. For example, in Romania the average revenue per domestic express mail piece less than 10 times the basic tariff for letters whereas in Hungary it is more than 40 times. In Romania there is one domestic express shipment for every 30 pieces of letter post mail; in Hungary, the ratio is closer to one for every 2500 letter post items. Taking this difference into account, it remains noteworthy that the domestic express service of Posta Romana has increased dramatically in the last five years, achieving an average annual rate of increase of 26 percent. Bulgarian Posts's domestic express service has grown incrementally as well, while that of the Turkish PTT General Directorate has lost volume at a rate of 10 percent per year.

Cross border express postal service is predominantly provided by competitive postal operators (CPOs) who, unlike USPs, can maintain end to end control across national borders. In response to the CPOs, USPs have established a special high speed international Express Mail Service (EMS). For a USP commercial success in this market depends upon superior quality of service from foreign partners as well as in its own operations. To provide a competitive cross border express product, some USPs (e.g., Latvijas Pasts) have contracted with CPOs to provide transportation and delivery outside the national territory.

An appreciation of each USP's progress in the cross border express market be inferred from the annual average volume growth rates achieved in the period 1998 to 2002. As shown, among AC USPs, Eesti Post and Lietuvos Paštas have recorded substantial gains in outbound express mail services; these appear to be due in part to low initial volumes. Poczta Polska's steady progress in the outbound express mail market is impressive given the decline in inbound volume experienced by both it and Magyar Posta. Magyar Posta and Pošta Slovenije have lost ground in both the outbound and inbound express markets. In the CC countries, the USPs have also experienced mixed results with their cross border express services (which appear similar to those provided by AC USPs). Posta Romana has increased its outbound cross border express volume by an average of 6 percent per year since 1998. Bulgarian Posts' outbound express business has remained flat while that of the Turkish PTT General Directorate has declined by about 7 percent per year. In respect to the inbound express, the strong annual growth rate of Posta Romana and Bulgarian Posts is remarkable since the volume depends on foreign USPs for origination.

### **3.6 USP unaddressed mail services**

Ten of the thirteen USPs reported significant services for delivery of unaddressed mail in 2002 (BG, CY, EE, HU, LT, MT, PL, RO, SI, SK). The volume of unaddressed mail can amount to 50 percent or more of the volume of letter post mail, but the price per piece is low, only 2 to 4 Euro cents per piece. As a result, unaddressed mail services usually contribute only a percent or two of total postal revenues. For two USPs, however, Eesti Post and Maltapost, unaddressed mail delivery was a substantial fraction of total postal revenue (5 to 10 percent) in 2002.

The best established unaddressed mail operations appear to be those of Eesti Post, Magyar Posta, Poczta Polska, Posta Romana, and Pošta Slovenije. Three of these USPs (EE, HU, SI) have been successful in expanding their business substantially over the last five years. For Poczta Polska and Posta Romana, the unaddressed mail business has been flat or in decline. The other five USPs surveyed (BG, CY, LT, MT, SK) have begun unaddressed mail – or begun separate accounting for unaddressed mail – only in the last five years; it is too early to characterise their success.

### **3.7 Competitive postal operators**

Competitive postal operators (CPOs) play an increasingly important part in the postal markets of all AC and CC countries and operate in various market segments. Two basic types of operators may be distinguished.

First, international CPOs who have introduced competition to postal markets of the AC and CC countries. The leading international CPOs are the four global private express companies, DHL, FedEx, TPG, and United Parcel Service. All are present in each of the thirteen countries surveyed. In addition, USPs from neighbouring markets have set up operation in the AC and CC countries. For example, Sweden Post is active in Poland and the three Baltic states, and the Austrian USP is expanding its operations to the Slovenian postal market. These operators focus on the parcel and express markets, but they are beginning to participate in letter post activities as well.

The second type of CPO is the domestic operator. There are numerous local, mostly small, private postal operators in each AC and CC country. Many CPOs provide limited courier services – often locally within one city or urban area – and only employ a handful staff. However, there are some strong local providers of parcel service, e.g. Servisco in Poland, Ten Express in Slovakia, and Pegasus in Romania.

## Section 3: Postal Operators and Services

Information on CPOs available to this survey is limited. The private express companies declined to participate in this survey.<sup>55</sup> Smaller local operators that had been addressed with a very limited set of questions, but responses were few and poor. In light of the absence of significant regional data across the AC and CC countries, the operations of private operators are addressed in the country reports only, see Part II of this report.

---

**55** Only one of the CPOs (UPS) provided some aggregate information about its services in the AC and CCs. In the absence of participation of other CPOs, WIK cannot publish any of the information for grounds of commercial sensitivity.





## 4 Universal postal service

In practice, postal services are today provided on a universal basis in all AC and CC countries. The elements and quality of universal service vary from country to country, however. As described in Chapter 5, transposition of the Postal Directive into national law is incomplete, so its harmonising influence has not yet been fully realized. This chapter summarises key aspects of universal service as observed *in practice* in the thirteen countries surveyed. As in Chapter 5, topics in this chapter are arranged in roughly the same order as in the Directive: scope of universal service, reserved services, access to universal services, transparency of accounts, quality of service, and tariff principles.

### 4.1 Scope of universal service in practice

The Postal Directive requires member states to ensure that universal service is provided every working day and not less than five days a week with respect to both clearance and delivery. However, in regions deemed exceptional by the NRA, a more limited service may be provided.

In all AC and CC countries, the geographic scope and frequency of universal postal services appear generally consistent with the standards of the Postal Directive. With the exception of selected islands and other small remote places, no areas lack regular postal service at affordable rates each working day. Indeed, several USPs deliver mail more often than required by law, especially in urban areas where competition appears to be stimulating higher quality services. For example, Eesti Post reports that it must deliver mail and newspapers in the evening to avoid losing customers to private operators. On the other hand, reports of the Turkish PTT General Directorate that clearance is only “once or twice” a week in rural areas raise some questions about the conformity of the Turkish universal postal service with the Directive’s requirements.

While the Directive does not require geographically uniform tariffs for universal services, uniform tariffs for letters and parcels are applied in practice by all AC and CC USPs except Magyar Posta and Posta Romana (non-uniform parcel tariffs only).

The major indices relating to the scope of universal service in each AC and CC country are set out in Table 4-1.

## Section 4: Universal postal service

Table 4-1: Universal service in practice: Delivery an clearance frequency

Country	Standards Delivery Days Per Week	Less deliveries in some areas	Two daily deliveries in urban areas	Uniform 1 <sup>st</sup> Class Rate
Bulgaria BG	5 (1)	Yes, in regions that are hard to access.	Yes, in Sofia.	Yes
Cyprus CY	5	No	No	Yes
Czech Rep. CZ	5	No	No	Yes
Estonia EE	6	Yes	Yes	Yes
Hungary HU	5	No	No	No
Lithuania LT	5	No	No	Yes
Latvia LV	6	No	No	Yes
Malta MT	6	No	No	Yes
Poland PL	5	No	No	Yes
Romania RO	5	Yes	No	Yes (letters)
Slovenia SI	5	Yes,	No	Yes
Slovakia SK	5	Yes	No	Yes
Turkey TR	6	No	No	Yes

BG: Mail is delivered twice daily, six times a week in Sofia, once daily, six time a week in areas surrounding a sorting centre, and once day, five times weekly in other areas. In addition, areas that are “hard to access” are entirely excluded from delivery. No share of the population living in these areas was available, but the share was estimated to less than 1%.

CY: In villages with less than 200 inhabitants, mail is not delivered to the home but to mailboxes centrally located in the village. In urban areas, there is five day delivery while there are six days of delivery in rural areas (as a result of mail being transported by public buses and delivered by “agents” contracted by the USP in those areas; see country report).

EE: Less deliveries on islands without daily ferry service (as many deliveries as days of ferry service). In urban areas, the USP delivers twice a day (and up to seven days a week).

HU: The USP applies regional tariffs, i.e. different for local and national mail.

LT: In urban regions mail is delivered six times a week

RO: Regional exception: In regions characterised by exceptional geographical conditions delivery is less frequent. In 134 villages US is provided 3 days per week; in additional 6 villages service US is provided 2 days per week. Uniform tariff: Uniform tariff for letters. For parcels to the Danube delta, there is a surcharge of approx. 5 EUR cents.

SI: In remote alpine areas; approx. 0,6% of all households get delivery only three times a week.

SK: Following approval by the NRA; the USP does not delivery to the home in very rural, hardly accessible areas. No share of population for these areas was available, but it was stated to be significantly less than 1%.

TR: While delivery is six days per week, clearance is only “once or twice” a week in rural areas.

Source: WIK-Consult.

## 4.2 Reserved service in practice

The Directive defines a maximum set of postal services that may be reserved for the USP. While at present only two countries (EE, SI) comply with the weight and price limits adopted in Directive 2002/39 (100 grams and 3 times the basic standard tariff), all AC countries but Poland<sup>56</sup> will have to comply with this standard after accession to the Union in May 2004.<sup>57</sup>

Table 4-2: Actual competition within reserved area

Country	Degree of competition in reserved market segments			
	Reserved Letter Mail	Reserved Direct Mail	Reserved Outbound Cross Border	Reserved Inbound Cross Border
Bulgaria BG	○	Not reserved	○	○
Cyprus CY	○	●	●	○
Czech Rep. CZ	●	●	○	Not reserved
Estonia EE	●	● ●	○	○
Hungary HU	○	● ●	● ●	● ●
Lithuania LT	● ● ●	Not reserved	● ● ●	● ● ●
Latvia LV	●	●	●	●
Malta MT	○	●	●	○
Poland PL	●	●	●	○
Romania RO	●	May not be reserved	●	●
Slovenia SI	○	●	Not reserved	○
Slovakia SK	○	○	○	○
Turkey TR	na	na	na	na

Summary of competitiveness as perceived by USPs, NRAs and ministries.

- No competition
- Emerging competition
- ● Substantial competition
- ● ● Intense competition

EE: No reserved area in Estonia. However there is emerging competition in the area US area where the USP has the sole licence.

LT: There is uncertainty whether DM is included in the reserved area.

SI: Although the postal law reserves DM, there appears to be uncertainty before secondary legislation will be issued ("Nomenclatura").

RO: In Romania, there are no reserved services so far. However, the NRA may decide about a reservation in future. Those segments that may be reserved are considered in this table.

TR: No assessment could be provided by the USP.

Source: WIK-Consult.

<sup>56</sup> The Treaty of Accession to the European Union 2003 stipulates that Poland may (by way of derogation) apply a weight limit of 350g until 31 December 2005. However, services exceeding three times the public standard tariff may not be reserved (as required by Directive 2002/39/EC).

<sup>57</sup> The detailed legal requirements concerning reserved services in each AC and CC country are summarised in section 5.4 of this report.

Sometimes the reserved area is in practice significantly less extensive than the reserved area in law. The WIK survey asked NRAs and USPs to appraise the extent of competition in the reserved area in practice. The results are summarised in Table 4-2. The survey revealed that in some cases, market players are uncertain about the scope of the reserved area established by new postal laws, and authorities are awaiting clarification in future regulations before enforcement.<sup>58</sup> Thus, although the reserved area in most AC and CC countries is more extensive than permitted by the Directive, a lack of practical enforcement appears to leave the postal markets somewhat closer to the Directive's requirements than the legal situation might suggest. For example, strong competition was reported in the delivery of direct mail in Lithuania, and to a lesser extent in Estonia and Hungary, even though this service seems nominally reserved to the USP in each case.<sup>59</sup>

### 4.3 Access to universal postal services

“Access” to universal postal service refers to the manner in which mail is tendered to the USP for transmission. Universal postal services may be accessed through a post office, a “postal agency” (an office maintained by a private company that collects mail on behalf of the USP), a “mobile post office” (a lorry or van designed to collect mail and provide postal services), and public collection boxes. As required by the Postal Directive, each member state must ensure that access to universal services take into account the needs of users.

The customary measure of postal access is the density of the network of fixed postal outlets, i.e., post offices and postal agencies. Access network density can be measured in one of two ways: by the number of postal outlets per square kilometre (spatial density) and by the number of postal outlets per 1000 inhabitants (population density). These indicators represent the average density of the USP's public postal networks within the whole national territory.

---

<sup>58</sup> More details about the particular situation in each country are included in the country reports.

<sup>59</sup> In Estonia, despite absence of a formal reservation, the USP is the only operator licensed to provide universal service.

Section 4: Universal postal service

Figure 4-1: Access to universal services: population density, December 2002

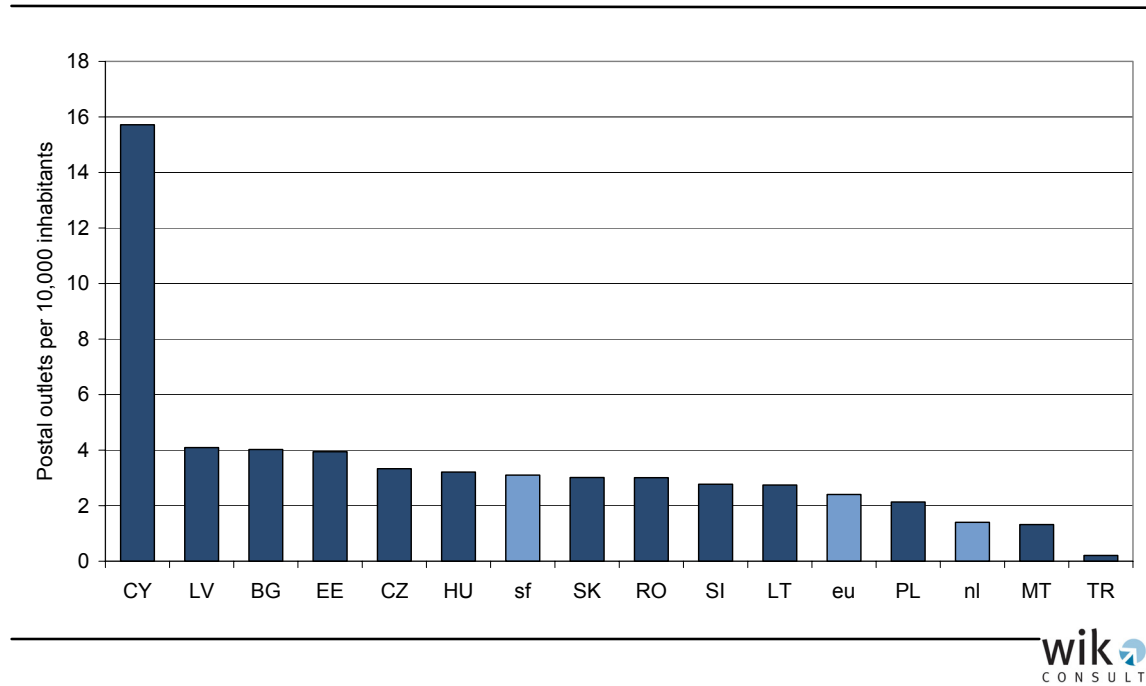
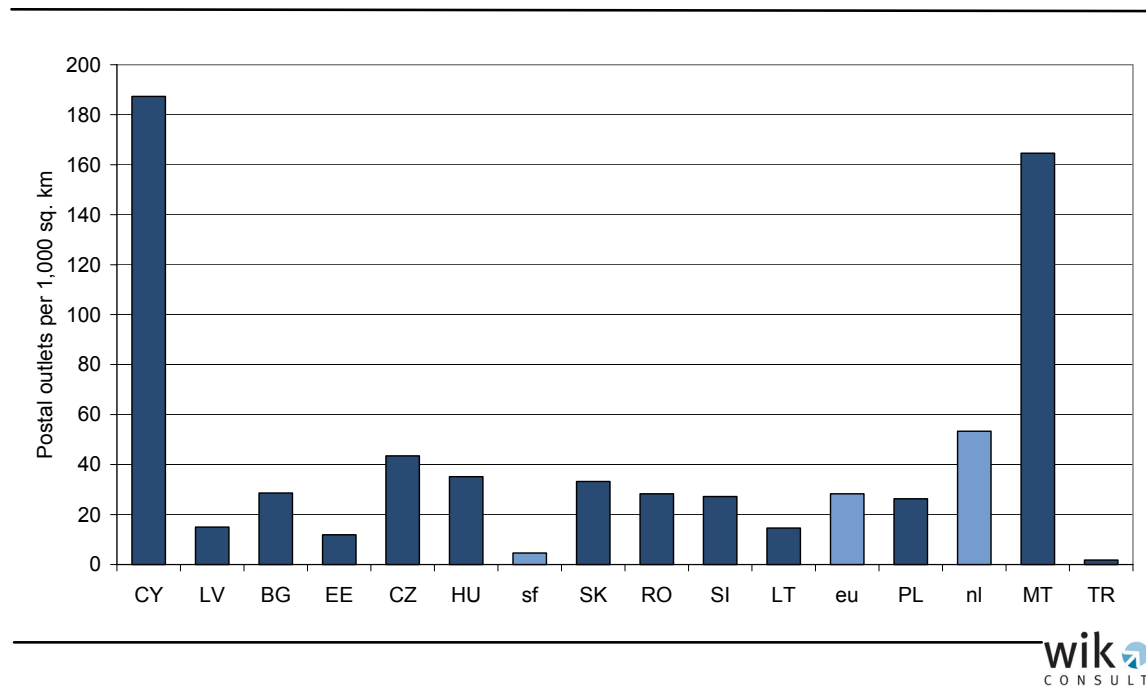


Figure 4-2: Access to universal services: "spatial density", December 2002



## Section 4: Universal postal service

By these measures, none of the AC and CC countries offer a public postal network that is less dense than the public postal network of Finland, the member state with the lowest spatial density. By either measure, the most populous AC and CC countries (BG, CZ, HU, PL, SK) all provide public postal networks close to the EU average. The density of postal outlets in terms of spatial and population density is illustrated graphically in Figure 4-1 and Figure 4-2. As a benchmark, the most densely and the most sparsely populated EU member states, Finland and the Netherlands, are included in the figures. The public postal networks of Malta and Cyprus are characterised by exceptional density values. For Malta this can be explained easily by looking at the population density, which is more than 100 times the EU average. In Cyprus, it is the extraordinary number of postal agencies that drives the result. The Cyprus Department of Postal Services generally contracts with part time agents to perform delivery services in rural areas so the high access density is a by-product of this practice.

The numbers of postal outlets and letter boxes, as well as indicators of access density in AC and CC countries and the EU as a whole, are set out in Table 4-3 and Table 4-4. On the whole, access to universal services in AC and CC countries compares well with access in EU member states. However, access quality in Turkey is lower than in EU member states and other AC and CC countries.

On some countries, fixed postal outlets are supplemented by mobile post offices in very rural areas. Following a precise time schedule, mobile post offices stop in villages for a specified period, usually between 15 and 90 minutes. Mobile post offices provide access at a lower quality than postal outlets but cover a much wider area. The availability of mobile post offices is also shown in Table 4-3. Public collection boxes offer another important access facility. The number of collection boxes and their spatial and per capita density are shown in Table 4-4 below. In public postal networks of the AC and CC countries use of collection boxes varies widely.

Section 4: Universal postal service

Table 4-3: Access to the public postal network: Postal outlets

Country		No. of postal outlets	No. of post offices	No. of postal agencies	Outlets per square 1,000 km	Outlets per 10,000 inhabitants	No. of mobile post offices
Bulgaria	BG	3,179	3,021	158	28.7	4.0	0
Cyprus	CY	1,109	52	1,057	187.3	15.7	0
Czech Rep.	CZ	3,427	3,407	20	43.5	3.3	5
Estonia	EE	538	426	112	11.9	3.9	0
Hungary	HU	3,270	2,830	440	35.1	3.2	0
Lithuania	LT	954	944	10	14.6	2.7	6
Latvia	LV	964	964	0	14.9	4.1	2
Malta	MT	52	30	22	164.6	1.3	1
Poland	PL	8,242	5,602	2,640	26.4	2.1	0
Romania	RO	6,738	6,738	0	28.3	3.0	4
Slovenia	SI	552	552	0	27.2	2.8	6
Slovakia	SK	1,628	1,626	2	33.2	3.0	5
Turkey	TR	1,395	1,395	1,395	1.8	0.2	31
EU average					28.3	2.4	

Source: WIK-Consult.

Table 4-4: Access to the public postal network: Clearance letter boxes

Country		No. of clearance letter boxes	Letter boxes per square 1.000 km	Letter boxes per 10.000 inhabitants
Bulgaria	BG	5,431	49	7
Cyprus	CY	700	118	10
Czech Rep.	CZ	24,311	308	24
Estonia	EE	3,680	81	27
Hungary	HU	16,751	180	16
Lithuania	LT	4,311	66	12
Latvia	LV	2,464	38	10
Malta	MT	526	1,665	13
Poland	PL	57,000	182	15
Romania	RO	37,645	158	17
Slovenia	SI	2,843	140	14
Slovakia	SK	7,096	145	13
Turkey	TR	2,463	3	0.4
EU min (SF / ES)			23	10
EU average			204	18
EU max (BE / SE)			647	41

Source: WIK-Consult.

#### 4.4 Transparency of accounts

Accounting transparency is a major goal of the Postal Directive. The Directive requires USPs to keep separate accounts for reserved, universal, and non-universal services and sets out specific cost allocation principles. In a general survey, it is impossible to determine whether postal accounts in fact provide reliable separation of accounts and allocation of costs. Nonetheless, the characterisation of accounting practices by USPs and NRAs offers a starting point for assessment. Table 4-5 summarises the responses of USPs and NRAs (both in writing and in interviews) to questions about the accounting separation and cost allocation achieved to date. This table and the corresponding table in the discussion of the regulatory framework (section 5.6) make clear that the definition and enforcement of accounting standards remains an area in need of major improvement among the AC and CC countries.

Table 4-5: Accounting requirements in practice

Country	Separate accounts for Reserved / Non-Reserved	Separate accounts for Universal / Non-Universal	Cost allocation method approved by NRA
Bulgaria BG	Yes	Yes	No
Cyprus CY	No	No	No
Czech Rep. CZ	Yes	Yes	Yes
Estonia EE	No	No	No
Hungary HU	No	No	No
Lithuania LT	No	Yes	No
Latvia LV	No	No	No
Malta MT	No	No	No
Poland PL	Yes	Yes	No
Romania RO	No	No	No
Slovenia SI	No	Yes	No
Slovakia SK	Yes	Yes	Yes
Turkey TR	No	No	No

BG: USP states to keep separate accounts, but the NRA could not confirm the statement.

LT: USP states to keep separate accounts, but the NRA report not to obtain information on this matter.

PL: Due to conflicting reports from Ministry, NRA, and USP, it appears to be unclear whether the implementation of accounting separation is finalised in practice.

RO: The USP is in an advanced stage of implementing an appropriate accounting system.

Source: WIK-Consult.



#### 4.5 Quality of service

The Postal Directive seeks to foster improvement in quality of service by requiring, in particular, public disclosure of routing time targets and the results of a regular independent monitoring of routing time performance. For the AC and CC countries, Table 4-6 indicates the availability of independent quality of service monitoring and the results achieved in the period 1998 to 2002. In considering this data, it should be kept in mind that in many cases monitoring systems are newly or incompletely installed. The results should therefore be viewed with an appropriate level of caution.

Table 4-6: USP quality of service: Monitoring, publication and performance

Country	Independent monitoring	Monitoring body	Publication, in 2002	Performance D+1 (%)					
				1998	1999	2000	2001	2002	
Bulgaria	BG	No	USP	No	na	na	na	81	79.2
Cyprus	CY	No	USP	No	na	na	21.7	41.4	49.4
Czech Rep.	CZ	Yes	RAYSA	Yes, in USP annual report	87.6	90.4	93.7	92.2	92.7
Estonia	EE	No	USP	Yes, by USP annually	na	na	na	na	97
Hungary	HU	Yes	USP	No	71	72	49	64	67
Lithuania	LT	No	None	No	na	na	na	na	na
Latvia	LV	No	None	No	na	na	na	na	na
Malta	MT	No	USP	No	na	na	85	86	84
Poland	PL	Yes	NRA	No	na	na	na	na	94.3
Romania	RO	No	USP	No	53	57	58	na	60
Slovenia	SI	No	None	No	na	na	na	na	na
Slovakia	SK	Yes	University (first class letters)	Yes, in USP annual report	94	na	94.7	96	94.7
Turkey	TR	No	None	No	na	na	na	na	na

Information for monitoring refers to whether results have been published for 2002. "na" means that there are no publications on performance and no unpublished information has been disclosed.

CZ: Monitoring performed by an independent market research institute, RAYSA.

HU: USP's measurement method has been approved by the NRA. The publication procedures have been implemented recently such that there was no publication in 2002. From 1991-2001 monitoring was executed by the NRA itself.

LV: The NRA is in an advanced stage of implementing measurement procedures.

SI: The USP report to have an internal measurement system in place but does not disclose any results.

SK: University of Zilina and PTT Research Institute measure QoS of first class letters. 2nd class letters are monitored by NRA. First class parcels and 2nd class parcels are monitored by PTT Research Institute.

Source: WIK-Consult.

In some AC countries, introduction of a new priority letter service implies certain qualifications for routing time data. On July 1, 2002, Poczta Polska introduced a nationwide priority service for letters with a routing time target of 80 percent of items to be delivered in D+1. Poczta Polska reports that it achieved 94 percent delivery in D+1 in the remainder of 2002. However, less than 15 percent of letter post items are transmitted as priority mail. Thus, without taking anything away from the achievement of Poczta Polska, it may be noted that the improvement in the postal service is not as broad as may appear at first glance. Similar to the Polish situation, the Hungarian USP intends to introduce a priority letter category in order to improve routing time performance – for a reduced amount of mail. In Slovakia, the only other AC country where a USP currently employs priority categories for letter services, the routing times displayed in Table 4-6 refer to a minor share of total volume as well. In contrast to Poland, routing time of second class items is monitored in Slovakia and according to NRA and USP reports the routing time of second class mail is much more satisfactory than it seems to be in Poland.

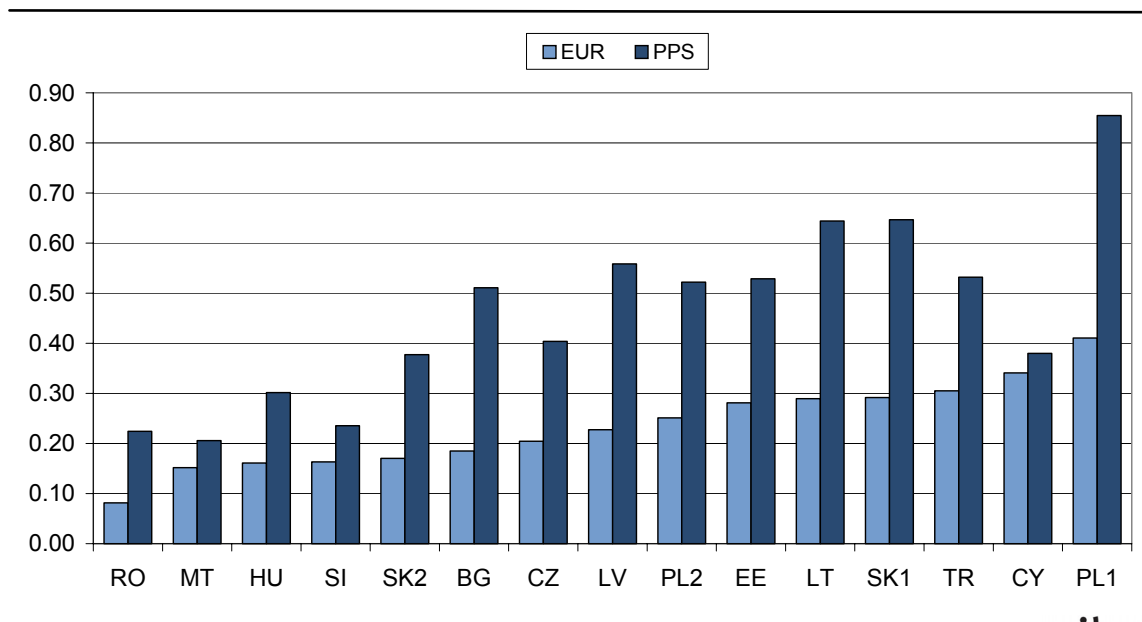
Overall, among AC and CC countries as a whole, it appears that only a handful countries (CZ, HU, SK) have so far implemented a reliable monitoring system and publication of the results. For others, the implementation of measurement systems as well as regular monitoring and publication – and thus compliance with the Directive's requirements in practice - remain future projects.

In a related matter, WIK inquired whether the AC and CC countries ensured transparent, simple, and inexpensive procedures for customer complaints (as required by the Postal Directive). In general, this appears not to be the case in many AC and CC countries where customer complaints are often dealt with by the USP without clear regulatory requirements and the only means for users to appeal against a USP decision is to bring the complaint before court. However, since the discussion of this matter does not result in a “yes or no” answer, more detailed findings are presented by country in Part II of this report.

## 4.6 Postal tariffs

The definition of universal service as set out in the Postal Directive and applied by most national laws includes a requirement to ensure affordability of these services. Therefore postal rates are an important attribute of universal service. The rates for first class standard items in the AC and CC countries are illustrated graphically in Figure 4-3. In addition, rates for second class or “non-priority” standard items are included for the two countries where such tariffs are employed (PL, SK). In both countries, non-priority tariffs are particularly important for an assessment of affordability since they reportedly account for more than 80 percent of total domestic letters volume. Rates are displayed for the lowest weight category, i.e. for a 20-gram letter. To facilitate comparison in terms of affordability, local rates have been converted using PPS as well as nominal Euro exchange rates.<sup>60</sup>

Figure 4-3: Postal rates for standard letters, 2003, 20g, EUR and PPS



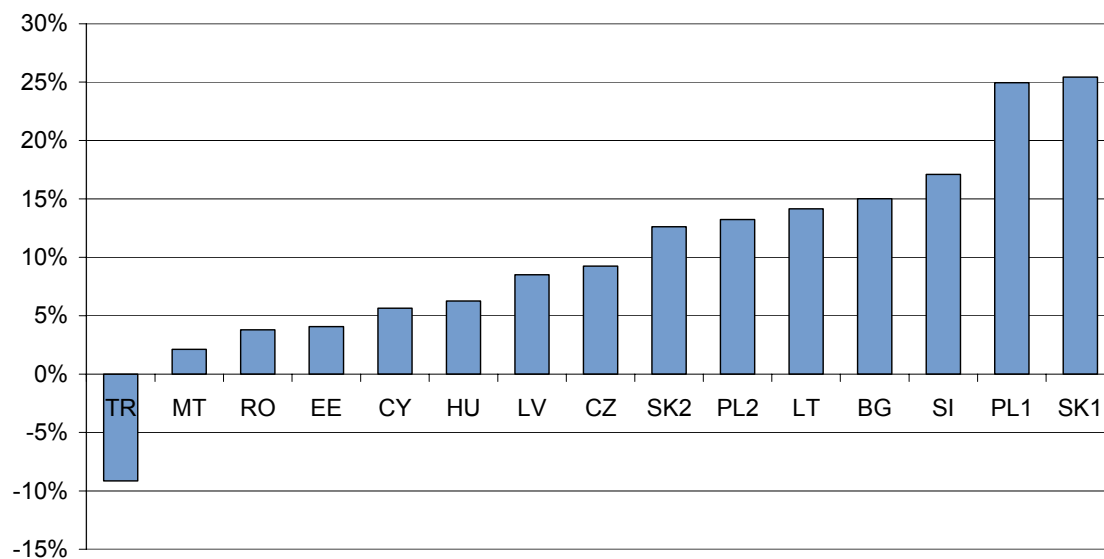
Note: PL1 and SK1 are priority rates, PL2 and SK2 are non-priority rates

<sup>60</sup> All exchange rates are as of June 1, 2003. For Euro rates daily exchange rates of June 1 have been applied. PPS exchange rates have been calculated using estimated 2003 purchasing power parities (PPP) provided by Eurostat (1 PPS is normalised to 1 EUR with respect to average purchasing power within the Eurozone).

Section 4: Universal postal service

Due to lower purchasing power in the AC and CC countries, postal services appear to be less affordable in the AC and CC countries when using PPS rather than nominal Euro exchange rates. Nonetheless, even when PPS exchange rates are used, postal tariffs in AC and CC countries do not significantly exceed postal tariffs in the most expensive EU member states (e.g. in Germany, 0.51 EUR/PPS) with the exception of Poland. Among AC and CC countries, postal rates appear to be least affordable in the two countries with special priority rates (PL, SK) and in three countries with exceptionally low letter post volumes (LT, LV, TR). With respect to LT, LV, and TR, one should bear in mind that higher tariffs may be due in part to the comparably high average costs that stem from low letter volumes.<sup>61</sup>

Figure 4-4: Average annual rate increase for 20g standard letters, 1998-2003, (calculated from EUR prices)



Note: PL1 and SK1 are priority rates, PL2 and SK2 are non-priority rates. In both countries, priority pricing has been introduced later than 1998.

<sup>61</sup> However, the causality is likely to be in both ways; one might as well detect a hen-and-egg dilemma in a country where volume is low and price are high.

## Section 4: Universal postal service

Figure 4-4 presents the average *annual* rate of increase in the basic standard tariff in the AC and CC countries from 1998 to 2003. In order to take into account inflation, the rate of increase was calculated after first converting local tariffs into Euros using current exchange rates. During the last five years, postal rates have increased substantially, by more than 5 percent annually on average, in all AC and CC countries but Malta and Estonia. For Romania and Turkey; which both suffered from substantial inflation during the period, the price trend was shaped largely by the USP's need to keep up with inflation). It must be pointed out that postal tariffs were reported to have been political rather than market decisions in most countries. In none of the thirteen countries has the NRA been in charge of approving postal tariffs for the whole period from 1998 to 2003. Again, the practice of Poczta Polska deserves comment. The basic standard tariff of Poczta Polska is high compared to other AC and CC USPs. In the last five years, Poczta Polska has introduced a series of price increases that have raised the price of a first class 20-gram letter by 205 percent (in national currency) in the five-year period.



## 5 Regulatory Framework

The section reviews the transposition of major regulatory requirements of the Postal Directive to the national laws of the AC and CC countries. In particular, this section addresses the Directive's requirements in respect to the scope of universal service, the reserved area, authorisation of private operators, access to universal services, regulation of tariffs and accounts, complaints and redress, and the role of the national regulator. Transposition of the Directive's requirements into national law does not necessarily indicate actual practice, but the requirements themselves are important as a standard against which future practice can be measured.

Table 5-1: Postal acts

Country		Name	Last Amendment
Bulgaria	BG	Postal Services Act 2000	2003
Cyprus	CY	Telecommunications and Postal Services Regulation Law of 2002	2002
Czech Rep.	CZ	Act on Postal Services 2000	2002
Estonia	EE	Postal Act 2001	2001
Hungary	HU	Act on Communications 2001	2001
Lithuania	LT	Postal Law 1999	2001
Latvia	LV	Postal Law 1994	2000
Malta	MT	Postal Services Act 2002	2002
Poland	PL	Postal Law 2003	2003
Romania	RO	Ordinance on Postal Services 2002	2002
Slovenia	SI	Postal Services Act 2002	2002
Slovakia	SK	Act on Postal Services 2001	2001
Turkey	TR	Turkish Postal Law of 1950	nd

Source: WIK-Consult.

Postal law in the AC and CC countries is changing rapidly. In all but one country, Turkey, new postal laws have been adopted since 2000. In Malta and Cyprus, new postal laws were only placed in effect in the last few months. Table 5-1 lists the major postal laws in the AC and CC countries and their date of enactment. Because the postal laws in most AC and CC countries are so recent, implementing regulations are lacking in many cases and regulators are not yet organized. In this report, laws and regulations which have been agreed and are expected to be in effect by the end of 2003 are treated as current law.

## Section 5: Regulatory Framework

Postal laws in two countries were not available for this study. In Poland, the postal act of 1990 (as amended through 1999) was revised thoroughly by a new postal law adopted in July 2003. There exists no translation of the new law (or a reasonably complete draft), and the 1990 act, although available in translation, is moot. In Turkey, the postal act of 1950 remains in effect. It has never been translated into English. The Turkish government hopes to adopt a new postal law by the second quarter of 2006, but the details of the new law are unknown. For these countries, descriptions of the regulatory framework in Poland and Turkey are based on general statements by the USPs and NRAs.

Table 5-2: Ministries responsible for postal sector

Country		Ministry
Bulgaria	BG	Ministry of Transport and Communications
Cyprus	CY	Ministry of Communications and Works
Czech Rep.	CZ	Ministry of Informatics
Estonia	EE	Ministry of Economic Affairs and Communications.
Hungary	HU	Ministry of Informatics and Communications
Lithuania	LT	Ministry of Transport and Communications
Latvia	LV	Ministry of Transport and Communications.
Malta	MT	Ministry for Transport and Communications.
Poland	PL	Ministry of Infrastructure
Romania	RO	Ministry of Communications and Information Technology
Slovenia	SI	Ministry of Information Society
Slovakia	SV	Ministry of Transport, Posts and Telecommunications
Turkey	TR	Ministry of Communication

Source: WIK-Consult.

In all AC and CC countries, government policy towards the postal sector has been committed to a ministry responsible for communications policy generally. In five countries (CZ, HU, RO, SI, TR), the ministry specialises in communications and information policy. In Estonia, the ministry dealing with communications policy is also responsible for economic affairs. In the other seven countries, the ministry dealing with postal affairs is broadly responsible for the national communications and transportation infrastructure. Table 5-2 lists the ministry in charge of postal affairs in each AC and CC country. In this report, the term “ministry” or “minister” refers to the ministry listed in this table unless otherwise indicated.



Section 5: Regulatory Framework

Table 5-3: National regulatory authorities

Country	NRA	Begin Post Regulation	Sectors Regulated
Bulgaria	BG Communications Regulation Commission (CRC)	2002	Telecomm, Post
Cyprus	CY Commissioner of Telecommunications and Postal Regulation	2003	Telecomm, Post
Czech Rep.	CZ Department of Postal Services, Min Informatics	2000	Post
Estonia	EE Sideamet (Estonian National Communications Board)	2002	Telecomm, Post
Hungary	HU Communication Authority	1989	Telecomm, Post
Lithuania	LT Communications Regulatory Authority	2002	Telecomm, Post
Latvia	LV Public Utilities Commission (PUC)	2001	Telecomm, Post, Energy, Rail
Malta	MT Malta Communications Authority (MCA)	2003	Telecomm, Post
Poland	PL Office of Telecommunications and Post Regulation (URTIP)	Late 2003	Telecomm, Post
Romania	RO National Regulatory Authority for Communications (ANRC)	2002	Telecomm, Post
Slovenia	SI Telecommunications, Broadcasting and Post Agency (ATRP)	2002	Telecomm, Post
Slovakia	SV Postal Office	2002	Post
Turkey	TR None	-	-

Source: WIK-Consult

In AC and CC countries except Turkey, the postal law nominates a government agency service as the national regulatory authority (NRA) for the postal sector. The NRAs of the AC and CC countries are listed in Table 5-3. In most cases, the postal NRA is still getting organised: appointing personnel, developing accounting systems, and drafting regulations. Only three NRAs appear to be past this basic organisational stage. In Hungary, the NRA is the Communications Authority, an office established in 1989. In the Czech Republic, the NRA is the Department of Postal Services within the Ministry of Informatics; it was established in 2000. In Latvia, responsibility for regulating postal markets was given to the Public Utilities Commission (PUC) in 2001. The Latvian PUC is a general regulatory body that oversees telecommunications, energy, and rail markets. In other AC and CC countries (except Turkey), postal regulation has been added recently to the responsibilities of an established telecommunications regulator or a new regulatory body has been created recently. In Turkey, the possibility of establishing an independent NRA for the postal sector is under study.

## Section 5: Regulatory Framework

Table 5-4: Legal status and ownership of USPs in 2003

Country		USP	Legal status / Ownership	Current status since
Bulgaria	BG	Bulgarian Posts	Fully state owned PLC	1997
Cyprus	CY	Dept. of Postal Services	Government department	-
Czech Rep.	CZ	Česká Pošta	State enterprise	1993
Estonia	EE	Eesti Post	Fully state owned PLC	1997
Hungary	HU	Magyar Posta	Fully state owned PLC	1994
Lithuania	LT	Lietuvos Paštas	State enterprise	1992
Latvia	LV	Latvijas Pasts	Fully state owned PLC	1992
Malta	MT	Maltapost	State controlled PLC	2002
Poland	PL	Poczta Polska	State enterprise	1997
Romania	RO	Posta Romana	Fully state owned PLC	1998
Slovenia	SI	Pošta Slovenije	Fully state owned PLC	1993
Slovakia	SK	Slovenská Pošta	State enterprise	1993
Turkey	TR	PTT General Directorate	Government department	-

Note: Maltapost is a PLC owned 65% by government and 35% by Transend (subsidiary of NZ Post).

Source: WIK-Consult.

In all thirteen AC and CC countries, the public postal operator is the one and only postal operator obliged to provide universal postal service.<sup>62</sup> In some cases (e.g. Romania, this obligation is *de facto* rather than *de jure*. Most USPs have been corporatised, i.e., organised as a public liability company (PLC) under normal company law. In four AC countries (CZ, LT, PL SK), the USP has been established as a “state enterprise”, a special status which give the USP operational separation from the government but exempts the USP from some rules applicable to private companies.<sup>63</sup> One USP, Maltapost, is partially privatised; 35 percent of Maltapost is owned by a subsidiary of New Zealand Post. In three AC countries (CY, CZ, SK), further steps in corporatisation or privatisation are under discussion. There are two prominent exceptions to this trend towards corporatisation, however. Cyprus and Turkey have preserved their USPs as government departments. Table 5-4 summarises the legal status for each USP.

<sup>62</sup> A “public postal operator” is a postal operator owned in whole or substantial part by the government. Traditionally, the public postal operator is a department of government which provides universal postal service as an exclusive government service closed to private companies. According to the Postal Directive § 2(13), however, some or all universal postal services can be provided by private postal operators as well as by the public postal operator. The term “public postal operator” is therefore no longer necessarily synonymous with “universal service provider”. Nonetheless, this report follows the convention in most European postal policy studies of referring to the public postal operator as “the” USP.

<sup>63</sup> Posta Romana is organised as a “Compania Nationala”, a status broadly comparable to that of a PLC but containing special provisions different from normal company law.

## 5.1 Scope of universal service

Table 5-5: Universal service required by law

Country		Delivery Days Per Week	Parcels Weight Domestic Weight limit (kg)	Parcels Weight Cross Border Weight limit (kg)	Uniform 1 <sup>st</sup> Class Rate Required
Bulgaria	BG	5 (80%)	10	10	Yes
Cyprus	CY	5	20	20	Yes
Czech Rep.	CZ	5	15	15	Yes
Estonia	EE	5	10	20	Yes
Hungary	HU	5	10	20	No
Lithuania	LT	5	10	10	No
Latvia	LV	0	10	10	Yes
Malta	MT	5	10	10	No
Poland	PL	nd	nd	nd	nd
Romania	RO	5	10	20	No
Slovenia	SI	5	20	20	Yes
Slovakia	SK	5	10	20	Yes
Turkey	TR	0	na	na	No

BG: Delivery frequency: ministerial decree RD-08-997/2000 Table 5 requires delivery 6 days per week in Sofia and places with a sorting centre, and otherwise 5 days per week, but “quality of service” is set at 80 percent; delivery standards do apply in “remote places”. Parcels: Post Law § 34 sets weight of all parcels at 10 kg, but for incoming “may be higher” and may reach UPU limits. Uniform rates: Decree 287/2000 § 5.

CY: Communications Law § 2, definition of universal service.

CZ: MTC Decree 28/2001 §§ 356 (delivery “every working day”); 25 (parcels up to 15 kg).

EE: Post Law § 3(3). Less frequent delivery frequency permitted for islands not provided regular transport service.

HU: Communications Law § 48. Delivery frequency specified as every working day but no minimum of five days per week.

LT: Post Law §§ 6 (delivery frequency); 2 (10) (definition of universal service); 9(1) (rates must be “accessible” but uniformity not required).

LV: Post Law §§ 1 (weight limit); § 22 (1) (uniform first class rate).

MT: Post Law § 17.

RO: Post Law §§ 7 (delivery frequency); 5 (weight limits).

SI: Post Law § 4 (delivery frequency); 3 (weight limits). Post Law § 3 does not require uniform rates, but the NRA may do so, and NRA says uniform rate is required.

SK: Delivery frequency specified postal license as every working day. Post Law § 18 (weight limit for parcels).

TR: Universal service is not defined in Turkish law and uniform rate is not required. NRA says “all” parcels are required to be delivered.

Source: WIK-Consult and cited laws and regulations.

Article 3(1) of the Postal Directive requires that member states “shall ensure that users enjoy the right to a universal service involving the permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users”. All AC and CC countries require provision of regular postal service to all points in their national territories.

The Postal Directive further specifies that the universal service shall include, except in extraordinary circumstances, one delivery to the home or premise of every natural or legal person “every working day and not less than five days a week.” The AC countries appear to comply with this requirement with the exception of Latvia, which has no formal rule specifying the frequency of postal delivery.<sup>64</sup> Among the CC countries, Turkey has no legal definition of universal service, a common practice in older postal laws. Bulgaria seems to require delivery five or six days a week to all addresses, but its law includes an unusual “quality of service” target of 80 percent which seems to suggest that up to 20 percent of addresses may not receive daily delivery.

According to the Postal Directive, universal service must be available for correspondence up to 2 kg and domestic parcels weighing up to 10 kg. Due to the Universal Postal Convention, member states should also ensure delivery of inbound cross border parcels weighing up to 20 kg. The laws of the AC and CC countries comply with this requirement for domestic parcels, but in several cases the weight limit for cross border parcels may need to be increased (BG, CZ, LT, LV).

The Postal Directive § 12 requires member states to ensure that tariffs for universal postal service are “affordable” and “geared to costs”. As an exception to the cost-based nature of postal tariffs, member states may require that postage tariff be uniform throughout the national territory. Most of the AC and CC countries require a uniform national tariff for first class letters, but four do not (HU, LT, LV, RO) even though uniform rates may in fact be the practice. See Table 5-5.

## 5.2 Access to universal service

The Postal Directive emphasizes that the need to make the universal service accessible to users. Article 2 declares that member states should “ensure that the density of points of contact and of the access points takes account of the needs of users”. Article 6 of the Postal Directive requires that users are given regular information about the universal service with special reference to general conditions of access.

---

<sup>64</sup> In some cases (e.g. HU), the law requires delivery every “working day” but does not specify a minimum number of delivery days per week.

Section 5: Regulatory Framework

In general, few of the AC and CC countries have formal standards for access to the universal service network. See Table 5-6.

Table 5-6: Access requirements in law

Country		Collection Boxes	Post Offices
Bulgaria	BG	No standard	No standard
Cyprus	CY	1 box per 1000 persons	No standard
Czech Rep.	CZ	Distance < 750 m (city) 1 box per 1000 persons (rural)	Distance < 2 km
Estonia	EE	Median distance: < 500 m (city), < 2 km (rural)	Median distance: < 1.5 km (city), < 5 km (rural)
Hungary	HU	Distance < 1 km	1 office per town or per 20,000 persons; distance < 3 km (3)
Lithuania	LT	No standard	> 944 offices
Latvia	LV	No standard	No standard
Malta	MT	No standard	No standard
Poland	PL	No standard	No standard
Romania	RO	No standard	No standard
Slovenia	SI	No standard	1 office per 3800 houses (city); 1500 houses (rural)
Slovakia	SK	Distance < 500 m (city), < 1.5 km (rural)	1 office per town of 5000 persons
Turkey	TR	As necessary	No standard

BG: Under Post Law § 13, minister may set access requirements but has not done so.

CY: Q of Postal Serv Reg 2002 § 11(3) (letter boxes).

CZ: MTC Decree 28/2001 § 351 (letter boxes, post offices).

HU: Decree 254/2001 § 43. Towns of less than 600 persons may be served by a mobile post office.

LT: Order of the Director of CRA on the Main Postal Network Characteristics and on the Quality Requirements (Standards) for Post and Courier post services (unavailable).

RO: Access standards may be included in license conditions.

SI: Rules on the Organisation of the Postal Network (unavailable). There are intermediate standards for the number of post offices required between large cities (more than 50,000 persons) and villages (1,000 to 3,000 persons). For areas of less than 1000 inhabitants, the requirement is 1 post office per 500 households (HH). This standard is based on an old regulation; a replacement regulation is planned but not adopted.

SK: Access standards are set in the license of Slovenská Pošta (no translation available). More flexible letter box standards apply for very rural areas. Towns with less than 5,000 persons may be served by mobile post office. Certain maximum distance standards apply but only if the post office is not accessible by public transportation.

Source: WIK-Consult and cited laws and regulations.

### 5.3 Reserved area and sole licenses

One of the most significant features of the Postal Directive is the regulatory scheme for authorisation of private postal services. The Postal Directive limits the scope of postal services which may be reserved for the public postal operator and, at the same time, provides complex, but carefully defined rules for authorising postal services outside the reserved area.

In Directive 97/67 Article 7(1) provides that the reserved area can include only items of correspondence which weigh less than 350 grams and for which the transportation charge is less than 5 times the public tariff for an item in the lowest weight step of the fastest standard category. Directive 2002/67 further liberalised EU postal markets by reducing the weight and price limits to 100 grams and 3 times the basic standard tariff (50 grams and 2.5 times the basic standard tariff after 1 January 2006). In each case, a member state is permitted to reserve postal services only “to the extent necessary to ensure the maintenance of universal service”. The reserved area may also be extended by a member state to cross border mail and direct mail within the same price and weight limits but again only “to the extent necessary to ensure provision of universal service”.<sup>65</sup>

In addition to formal denomination of a reserved area, some AC and CC countries have adopted restrictive licensing schemes that bar anyone but the USP from providing postal services within the entire universal service area. The Postal Directive § 9(2) declares that a member state may require a CPO to obtain an authorisation or license before providing a postal service inside the universal service area. If a licensing regime is so restrictive that, as a practical matter, only the USP can obtain a license, the result would seem to be equivalent to extension of the reserved area in contradiction of Article 7's limitation on the reserved area. Nonetheless, several AC and CC countries have adopted this approach.<sup>66</sup>

An explicit reserved area for the USP is established in the postal law of each AC and CC country except the Czech Republic and Estonia. Czech law does not explicitly grant a reserved area, but it provides for only one license for the carriage of correspondence weighing less than 350 grams and priced less than certain levels; this legal formula appears equivalent to a reserved area. In Bulgaria, the reserved area expires on 31 December 2005. Table 5-7 presents an overview of the scope of the postal services, if any, formally reserved for the USP.

---

<sup>65</sup> Directive 2002/39 provides that outgoing cross border mail should not be reserved except in special circumstances.

<sup>66</sup> Authorisation and licensing provisions of the Postal Directive are discussed in greater detail in the next section.

Section 5: Regulatory Framework

Table 5-7: Reserved area and sole licenses in law

Country		Corresponding Weight Limit	Corresponding Price Limit	Sole USO License
Bulgaria	BG	350 g	5x stamp	Yes
Cyprus	CY	350 g	5x stamp	Yes
Czech Rep.	CZ	350 g	EUR 0.88 (natl) / EUR 1.47(intl)	No
Estonia	EE	0 g	0x stamp	Yes
Hungary	HU	350 g	5x stamp	Yes
Lithuania	LT	350 g	5x postage	No
Latvia	LV	No limit	Reg. pending	No
Malta	MT	350 g	5x stamp	Yes
Poland	PL	nd	nd	nd
Romania	RO	350 g	5x stamp	No
Slovenia	SI	100 g	3x stamp	No
Slovakia	SK	350 g	5x stamp	No
Turkey	TR	No limit	No limit	No

BG: Post Law §§ Supp. Cl. 6 (reserved area), 39 (license provision, not implemented).

CY: Communications Law §§ 115 (reserved area), 121(3) (license for universal service); Reg Gen Auth & Sp Lic (PS) 2002 § 21 (licensing not implemented).

CZ: Post Law § 18 (license); Reg 112/2002 (price limit, 27 Kč (national), 45 Kč (international)). The law appears to contemplate one "postal license" holder only. Minister may issue one or more "special postal licenses" in "extraordinary circumstances". §21.

EE: Post Law §7(5) appears to contemplate one licensed provider of universal service since license for new entrant mandates service to the entire country at "uniform and affordable rates" (§3(1)) and according to standards set by incumbent USP (Reg 419/2001 § 5(2)). The post law implies that express service is not a "universal service". § 2(3)(10).

HU: Communications Law § 49 (reserved area), except monopoly includes all official documents. Universal service can only be provided by the USP. §50(1)(c). Although the possibility of additional legislation to license other providers of universal service is mentioned in § 3, no legislation has been adopted or planned. The NRA stated that a licensing regime may be adopted by the end 2003: early indications are that it would be protective of the USP. Courier and express service is exempt from universal service. §§ 48(2),

LT: Post Law 1(11) (wt limit), 8(2) (price limit) ("a rate 5 times higher than the one set for the public post").

LV: Post Law §§ 4 (reserved area), 5(1) (licenses for value-added services), 9(2) (NRA to set price floor for express service, apparently not implemented).

MT: Post Law §§ 8(1)(a)(ii) (license for universal service, not implemented), 20 (reserved area).

RO: Post Law § 12 (reserved area); 15 (license for USO).

SK: Post Law § 7. Reserved area weight limit is 1 kg until 31 Dec 2003. § 42.

Sources: WIK-Consult and cited laws and regulations.

Where a reserved area is established, the AC and CC countries exhibit considerable variety in precisely how the reserved area is defined. Slovenia is the only country which has defined a reserved area in conformance with the weight and price limits of Directive 2002/39: 100 grams and 3 times the basic standard tariff. In six countries (BG, CY, HU, MT, RO, SK), the reserved area meets the requirements of Directive 97/67: 350 grams and 5 times the basic standard tariff. In three countries (CZ, LT, TR), the reserved area

appears to exceed the limits of Directive 97/67. In the Czech Republic, the price limit for the reserved area is expressed as specific monetary amounts rather than as a multiple of the basic standard tariff; the price limits comply with Directive 97/67 in respect to domestic postal services but not international postal services.<sup>67</sup> In Lithuania, the price limit appears to be 5 times the postage rate for the weight of the correspondence carried (not the basic standard tariff); this rule offers greater protection for heavier letters than permitted by Directive 97/67. In Latvia and Turkey, the reserved area covers all letters without limitation. In Latvia, however, a regulation defining the price limits of the reserved area is apparently envisioned in the postal law (as a definition of “express” services), but no implementing regulation has been adopted.

A restrictive licensing system that has the effect of limiting competition has been adopted in five AC and CC countries. Estonian law declares that no operator may provide any universal service without a license and requires each licensee to serve the entire nation at “uniform and affordable rates” and according to standards set by incumbent USP. Under such standards, no entry would occur in any network industry. Eesti Post thus holds what amounts to the sole license for all universal services. In Hungary, a private operator can, in theory, provide universal postal service outside the reserved area if he obtains a license, but the regulation establishing such licenses has never been promulgated. In Bulgaria, Cyprus, and Malta, as well, a licence is required to provide universal service, yet no licenses are available and there appear to be no plans to issue such licenses before the end of 2003.

Directive 97/67 also contemplated, but did not fully realise, liberalisation of specific types of postal services including cross border mail, direct mail, and document exchanges. Some EU member states have moved ahead of the Postal Directive to liberalise such services. Table 5-8 presents an overview of such national “openings” in the national legislation of AC and CC countries. Among the AC countries, no postal law provides for an opening in the reserved area for direct mail. All three CC countries, however, exempt direct mail from the reserved area. All AC and CC countries with reserved areas also reserve outbound cross border mail, although the Czech Republic has taken the unusual step of liberalising inbound cross border mail. Few of the AC and CC countries reserve document exchange services for the USP although this omission may reflect an absence of legislation in the absence of demand more than a deliberate market opening.<sup>68</sup>

---

<sup>67</sup> The basic standard tariff is 6.4 Kč. The reserved area requires that CPOs charge a minimum price of 27 Kč for domestic postal services and 45 Kč for international postal services.

<sup>68</sup> Moreover, in retrospect, the question on document exchange seems poorly worded so that some answers may reflect misunderstanding.



Table 5-8: Openings in reserved area/sole license

Country		Direct Mail	Outbound /Inbound Cross Border	Document Exchange
Bulgaria	BG	Yes	No / No	Yes
Cyprus	CY	No	No / No	Yes
Czech Rep.	CZ	No	No / Yes	No
Estonia	EE	No	No / No	No
Hungary	HU	No	No / No	Yes
Lithuania	LT	No	No / No	No
Latvia	LV	No	No / No	No
Malta	MT	No	No / No	Yes
Poland	PL	na	na	na
Romania	RO	Yes	No / No	Yes
Slovenia	SI	No	No / No	Yes
Slovakia	SK	No	No / Yes	No
Turkey	TR	Yes	No / No	No

BG: Post Law § Supp. Cl. 6 (direct mail, document exchange).

CY: Communications Law 2002 § 115(2) (document exchange).

CZ: Post Law §§ 3, 18. All inbound cross border mail appears exempt from the monopoly, § 3(1); inbound cross border mail is clearly exempt if delivered by original transporter, § 18(2).

HU: Communications Law 2000 § 48(3) (document exchange).

MT: Post Law § 20(2) (document exchange).

RO: Post Law §§ 12-13 (direct mail, document exchange).

SI: Post Law § 8(3) (document exchange).

SK: Post Law § 7(3)(c) (inbound cross border exempt from monopoly).

Source: WIK-Consult and cited laws and regulations.

#### 5.4 Authorisation, licensing, and compensation funds

For CPOs providing postal services outside the reserved area, the Postal Directive provides for two distinctly different levels of regulatory controls depending on whether the service is outside or inside the universal service area.

For postal services *outside the universal service area*, Postal Directive § 9(1) declares that member states may only “introduce general authorisations to the extent necessary to guarantee compliance with essential requirements.” Since the term “essential requirements” refers to non-economic conditions only, member states may not use general authorisations to regulate the prices or other economic aspects of postal

services outside the universal service area.<sup>69</sup> Moreover, since regulation outside the universal service area is limited to “general” authorisations, member states may not authorise the NRA or minister to grant or deny such authorisations on an individual operator basis prior to operation.<sup>70</sup>

For postal services *inside the universal service area* – but outside the reserved area – Postal Directive § 9(2) permits member states to require authorisation procedures, including individual licenses, and authorisation may be subject to three types of obligations which are unavailable for authorisations outside the universal service area:

- universal service obligations;
- requirements concerning quality, availability and performance of relevant services; and
- an obligation not to infringe on the reserved area.

Since authorisation for services inside the universal service area may be controlled by individual license, the member state may grant the NRA or minister authority to grant or deny such licenses on an individual operator basis prior to operation.<sup>71</sup> Overall, however, an authorisation or licensing scheme may be introduced only “to the extent necessary to guarantee compliance with the essential requirements and to safeguard the universal service.” As noted above, it would seem necessary that a licensing scheme for private postal services inside the universal service must be consistent with the limitations on the reserved area established by Postal Directive § 7.

Article 9(4) of Postal Directive further provides that an authorisation or license for services inside the universal service area may be made subject to an obligation to contribute to universal service compensation fund. The purpose of such a fund would be to compensate the USP for any unfair financial burden incurred as a result of the universal service obligations provided for in the Directive.

---

<sup>69</sup> Postal Directive § 2(19) defines “essential requirements” to mean “general non-economic reasons which can induce a Member State to impose conditions on the supply of postal services. These reasons are the confidentiality of correspondence, security of the network as regards the transport of dangerous goods and, where justified, data protection, environmental protection and regional planning. Data protection may include personal data protection, the confidentiality of information transmitted or stored and protection of privacy.”

<sup>70</sup> Postal Directive § 2(14) defines “general authorization” to mean “an authorization, regardless of whether it is regulated by a ‘class licence’ or under general law and regardless of whether such regulation requires registration or declaration procedures, which does not require the undertaking concerned to obtain an explicit decision by the national regulatory authority before exercising the rights stemming from the authorisation.”

<sup>71</sup> Postal Directive § 2(14) defines an “individual license” as “an authorisation which is granted by a national regulatory authority and which gives an undertaking specific rights, or which subjects that undertaking’s operations to specific obligations supplementing the general authorisation where applicable, where the undertaking is not entitled to exercise the rights concerned until it has received the decision by the national regulatory authority”.

Section 5: Regulatory Framework

Table 5-9: Authorisation of CPOs outside the universal service area

Country		Regulation Outside USO	Regulated Operators Outside USO
Bulgaria	BG	General Authorisation Plus	29
Cyprus	CY	General Authorisation Plus	Reg. pending
Czech Rep.	CZ	General Authorisation Plus	12
Estonia	EE	General Authorisation / License (parcels)	21
Hungary	HU	General Authorisation	26
Lithuania	LT	License	47
Latvia	LV	License	23
Malta	MT	License	Reg. pending
Poland	PL	nd	53
Romania	RO	General Authorisation Plus	na
Slovenia	SI	General Authorisation Plus	na
Slovakia	SK	General Authorisation	11
Turkey	TR	None	nd

Note: "General Authorisation Plus" refers to a general authorisation which appears to be conditioned on more than protection of essential requirements.

BG: Post Law §§ 13, 15, 19, 20, 60, 65.

CY: Reg Gen Auth & Sp Lic (PS) 2002 § 9(1)(b). May be more restrictive than permissible under EU law; Commissioner may issue a decree specifying "conditions, presuppositions and restrictions" for non USO providers.

CZ: Post Law §§ 6, 17. General authorisation requires compliance with "postal terms" in excess of essential requirements.

EE: Post Law §§ 5-6. A license is required for transport of domestic parcels weighing more than 10 kg. § 7(2)(2).

HU: Communications Law § 3(1) (requires only "reporting to" NRA).

LT: Post Law §§ 3-5 authorises government to "license" providers of postal services in any manner deemed appropriate; no information is available on implementing regulations.

LV: Post Law § 5.1. NRA says current, old-style licenses for non-USO services are "by no means restrictive" and "one could consider them as general authorisations". A formal general authorisation system is to be established in 2003.

MT: Post Law §§ 8-9. The regulation contemplated in the act appears to exceed EU standards for "general authorisation". Permission to operate may be conditioned on requirements concerning the quality, availability, and performance of services (§ 8(2)(ii)) and may be denied by the NRA or the minister based on inconsistency with the public interest or government policy (§ 10(1)(a)) (implementing regulation not yet been adopted).

PL: Number of operators reflects permissions under existing law.

RO: Post Law § 45; Decision 118/2003 Annex 1 § 3.5.

SI: Post Law §§ 10, 13, 28. A postal service provider is required to notify his business to the NRA and abide by general terms set by minister, including submission of prices and terms to NRA.

SK: Post Law §§ 14, 15; PO Gen Auth and Reg (2002). The regulation provides a general authorisation for services outside reserved area to an unspecified range of companies meeting the conditions of the regulation. NRA does not regulate these companies; 11 companies are registered.

Source: WIK-Consult and cited laws and regulations.

Article 9(4) of Postal Directive further provides that an authorisation or license for services inside the universal service area may be made subject to an obligation to contribute to universal service compensation fund. The purpose of such a fund would be to compensate the USP for any unfair financial burden incurred as a result of the universal service obligations provided for in the Directive.

Table 5-9 summarises the AC and CC laws relating to the authorisation of CPOs in the provision of delivery services *outside the universal service area*. In this table, regardless of how an authorisation is described in national law, an authorisation that may be denied based on considerations broader than needed to protect “essential requirements” is considered a “license” especially if individual authorisation prior to operation is required.

Outside the universal service area, all AC and CC countries except for Turkey require some form of authorisation to engage in postal services. These appear to comply with the EU concept of a “general authorisation” with three exceptions. In Estonia, the postal law requires an license to transport parcels in excess of 10 kg even though the universal service is limited to parcels weighing up to 10 kg. In Lithuania, the post law authorises the government to “license” providers of postal services in any manner deemed appropriate. Judging from the high number of authorised operators, this “license” may be non-restrictive (i.e., a “general authorisation”) but no details are known. In Latvia, a non-restrictive licensing scheme appears to be in effect, but details are unknown. This scheme is to be replaced by a general authorisation regulation in 2003. In several cases, however, the general authorisation appears to be conditioned on fulfilment of conditions in excess of that strictly needed to protect essential requirements. In the Czech Republic, a general authorisation requires the private operator to define “postal terms” or the terms of doing business and authorises the minister to withdraw authorisation if the operator “has lost the technical or organisational preconditions for operating postal services” In Malta, permission to provide non-universal services may be conditioned on requirements concerning the quality, availability, and performance of services and may be denied by the Malta Communications Authority or the Minister based on inconsistency with the public interest or government policy. In Romania, the general authorisation to provide postal services outside the reserved area is dependent on not violating the reserved area. In Slovenia, a provider of postal services must abide by “general terms” determined by the minister.

Table 5-10: Authorisation of CPOs inside the universal service area

Country		Regulation Within USO (Unreserved)	Scope of licensed area	Regulated Operators Within USO	Compensation Fund Permitted
Bulgaria	BG	License	USO	0	No
Cyprus	CY	License	USO	0	Yes
Czech Rep.	CZ	Gen. Auth. Plus	All outside reserved area	12	No
Estonia	EE	License	USO	0	No
Hungary	HU	License	USO	0	Yes
Lithuania	LT	License	see note	47	No
Latvia	LV	License	see note	2	No
Malta	MT	License	USO	0	No
Poland	PL	nd	nd	nd	nd
Romania	RO	License	USO	na	No
Slovenia	SI	License	USO	5	Yes
Slovakia	SK	Authorisation	All outside reserved area	11	Yes
Turkey	TR	None	na	na	No

BG, CY, EE, HU, MT: Table 5-7, above.

CY: Communications Law § 116 (compensation fund).

CZ: See Table 5-9, above.

HU: Communications Law § 53 (compensation fund).

LT, LV: See Table 5-9, above. Whether the authorisation schemes in these countries distinguish between universal and non-universal services is unknown.

RO: Post Law § 15(1); ANCR Decision 118/2003 § 5 et seq.

SI: Post Law §§ 10-11 (USO licenses); 7 (compensation fund).

SK: Post Law §§ 14, 15; PO Gen Auth and Reg (2002) §13(3) (compensation fund).

Source: WIK-Consult and cited laws and regulations.

Table 5-10 summarises the AC and CC laws relating to the authorisation of CPOs in the provision of delivery services *inside the universal service area*.

In general, AC and CC countries have not adopted the approach contemplated by the Postal Directive. Either the law offers no practical possibility for competition within the universal service area (BG, CY, EE, HU, MT), or the same authorisation regime applies inside and outside the universal service area (CZ, LT, LV SK),<sup>72</sup> or there is no authorisation regime (TR). Two countries have seemingly introduced genuine licensing schemes for universal services. In Slovenia, the license for universal service postal

<sup>72</sup> In Lithuania and Latvia, there not does not appear to be a distinction between authorisations for services outside and inside the universal service area, but the situation is not clear. There is no translation of the existing regulation in Lithuania, if any, and no precise information on the future regulation in Latvia.

service is restrictive on its face; it appears to require provision of the entire universal service to the entire country (as in Estonia). However, it seems possible for the Slovenian NRA to issue a special order permitting a license holder to provide a portion of the universal service, and the NRA reports five such operators in fact.<sup>73</sup> In Romania, a recent regulation appears to establish a practical procedure for licensing private operators within the universal service area.<sup>74</sup>

The postal laws of four (CY, HU, SI, and SK) of the AC countries surveyed provide for the possibility of establishing a universal service compensation fund, although none has actually established such a fund. Under the Postal Directive, only licensed providers of universal service can be required to contribute to the universal service fund.<sup>75</sup> This important limitation does not, however, appear in any of the four postal laws providing for compensation funds.

## 5.5 Transparency of accounts and tariff principles

A key principle of the Postal Directive is that postal tariffs for universal services should be based on costs. Since prices can be cost-based only if the USP's accounts correctly allocate costs and revenues, the Directive prescribes a strong dose of accounting controls. Article 14 requires that USPs separate accounts "for each of the services within the reserved sector on the one hand and for the non-reserved services on the other" and that "the accounts for the non-reserved services should clearly distinguish between services which are part of the universal service and services which are not." In addition, Article 14 describes a detailed method of allocating costs to each of the reserved and non-reserved services. The NRA is explicitly charged with ensuring compliance with these accounting principles.

---

<sup>73</sup> See Slovenian Post Law § 10.

<sup>74</sup> Decision 118/2003 (19 Mar 2003). This regulation apparently provides for 10-year licenses without undue restrictions.

<sup>75</sup> Under Postal Directive § 9(4), a member state may establish a universal service fund and "may make the granting of an authorisation" subject to an obligation to contribute the fund. The term "authorisation" in this context apparently refers the "authorisation" in § 9(2), for provision of universal services, and not to the "general authorisation" referred to in § 9(1), for provision of non-universal services.

Table 5-11: Tariff Regulation

Country		Price Regulator	Price Regulation Res. / Univ. Serv.	Method of regulation	NRA Rate Case since 1997
Bulgaria	BG	NRA	Yes / Yes	Ex ante	None
Cyprus	CY	NRA	Yes / Yes	Price cap	-
Czech Rep.	CZ	Min Finance	Yes / Yes	na	2002
Estonia	EE	NRA	Yes / Yes	Ex ante	None
Hungary	HU	Min	Yes / No	Price cap	2002
Lithuania	LT	Min	No / No	Price cap	None
Latvia	LV	NRA	Yes / Yes	Price cap	-
Malta	MT	NRA	Yes / Yes	Ex post	None
Poland	PL	na	na	na	-
Romania	RO	NRA	Yes / Yes	Ex ante	None
Slovenia	SI	NRA	Yes / Yes	Ex ante	2002
Slovakia	SV	NRA	Yes / Yes	Price cap	2002
Turkey	TR	None	No / No	None	-

BG: Post Law §§ 65, 66; Decree 287/2000.

CY: Communications Law § 19(1)(s).

CZ: Minister of Finance regulates postal rates independently from NRA and Minister of Communications.

EE: Post Law § 20(4).

HU: Communications Law § 27(3)(c).

LT: Post Law § 8 ("The government shall establish the highest rates of universal post services.").

LV: Post Law § 9.

MT: Post Law § 21(2).

RO: Post Law § 22.

SI: Post Law § 28. Implementing regulation not yet issued.

SK: Post Law § 21.

Source: WIK-Consult and cited laws and regulations.

In the AC and CC countries in general, independent regulation of postal accounts and tariffs is still in early stages. Table 5-11 provides an overview. In four countries (CZ, HU, LT, TR), postal rates appear to be regulated by the ministry rather than by a formally independent NRA. Among these three countries, Turkey represents the most traditional approach, with all operational and government authority vested in a single government department. In the Latvia, the ministry responsible for the USP is apparently ultimately the regulator of postage rates.<sup>76</sup> In the Czech Republic, the Minister of Informatics is responsible for the postal policy and the fortunes of the USP, the Ministry of Finance

<sup>76</sup> Post Law § 8 ("The government shall establish the highest rates of universal post services."). Nonetheless, division of price regulation authority is not entirely clear. See, e.g., § 4 ("The State policy in the postal sphere shall be formed and implemented by the Government or by an institution authorised by it.") On 31 March 2003, the NRA issued an order on accounting principles for the USP. Order IV-38.

## Section 5: Regulatory Framework

regulates postage rates in some manner, and the Department of Postal Services — an independent office within the Ministry of Informatics — oversees compliance with the price regulations. In Hungary, the Minister of Informatics and Communications sets price caps for the Magyar Post and determines postal policy for the country, although some rights of ownership of Magyar Posta have been transferred to the Privatization and State Holding Company. On the surface, at least, none of these arrangements seem to imply the sort of disinterested and aggressive accounting controls required by the Postal Directive.

Table 5-12: Accounting requirements in law

Country		Separate Reserved/ Non-Reserved	Separate Universal/ Non-Universal	Allocate Costs according to Directive § 14
Bulgaria	BG	No	Yes	Reg. pending
Cyprus	CY	Yes	Yes	Yes
Czech Rep.	CZ	na	na	na
Estonia	EE	No	Yes	No
Hungary	HU	Yes	Yes	Yes
Lithuania	LT	Yes	Yes	Yes
Latvia	LV	na	na	na
Malta	MT	Yes	Yes	Yes
Poland	PL	nd	nd	nd
Romania	RO	Yes	Yes	Reg. pending
Slovenia	SI	Yes	Yes	Reg. pending
Slovakia	SK	Yes	Yes	Yes
Turkey	TR	No	No	No

BG: Post Law § 29(3) requires only separation of universal and non-universal accounts.

CY: NRA refers regulation that is unavailable.

CZ: Post Law § 34(3) requires only allocation of costs in a manner approved by ministry; no details available.

EE: Post Law § 22(1) requires only separation of universal and non-universal accounts.

HU: Communications Law § 28(3); NRA reports allocation of costs based on Decree 28/2001 (unavailable).

LT: Post Law § 6(2)(3) requires only separation of universal and non-universal accounts, but NRA Order IV-38 (31 March 2003) requires compliance with Postal Directive § 14.

LV: Unclear. NRA refers generally to Law on Regulators of Public Services Chapter IV Section 19 (1) which is unavailable.

MT: Post Law § 23 and Sched 3.

RO: On separation of accounts, NRA refers to Ordinance 31/2002 (unavailable).

SI: Post Law § 31(2).

SK: Post Law § 22 (2); NRA cites its order (unavailable).

Source: WIK-Consult and cited laws and regulations.



In the other eight AC and CC countries (the situation in Poland is unknown), an independent regulator, usually the telecommunications regulator, has recently been given the task of regulating postage rates. So far, only one has actually reviewed postage rates. The Slovak Postal Office set postal price caps despite a lack of adequate cost data. In short, it is too early to draw conclusions on the implications and effects of postage rate regulation in these countries.

Under the Directive, a necessary ingredient of price regulation is a legal requirement that the USP separate accounts and allocate costs. Table 5-12 summarises the extent to which the Directive's norms have been translated into national law in the AC and CC countries. So far, it appears that seven countries (CY, HU, LT, MT, RO, SI, SK) have clearly adopted the accounting standards set out in the Directive and in at least three of these (CY, RO, SI) implementing regulations are still needed as define cost allocation methods.

## **5.6 Quality of service**

The quality of universal services is a very important consideration in the Postal Directive. Article 16 requires that member states "ensure that quality-of-service standards are set and published" for universal services and that "quality standards shall focus, in particular, on routing times and on the regularity and reliability of services." To monitor performance of universal services, the Directive declares that "independent performance monitoring shall be carried out at least once a year by external bodies having no links with the universal service providers."

## Section 5: Regulatory Framework

Table 5-13: USP quality of service requirements

Country		Published Q of S Standards	Independent Monitoring Required	1st Class D+1 (%)	1st Class D+2 (%)	1st Class D+3 (%)
Bulgaria	BG	Yes	Yes	76	83	
Cyprus	CY	Yes	Yes	70		90
Czech Rep.	CZ	Yes	Yes	90		
Estonia	EE	Yes	Yes	90		
Hungary	HU	Yes	No	80		95
Lithuania	LT	Yes	No	80	90	
Latvia	LV	No	No	-	-	-
Malta	MT	Reg. pending	Yes	-	-	-
Poland	PL	nd	nd	-	-	-
Romania	RO	Reg. pending	Yes	-	-	-
Slovenia	SI	Not implemented	na	--		
Slovakia	SK	Yes	Yes	94		
Turkey	TR	No	-	-	-	-

BG: RD-08-997/2000 §1. NRA says minister must provide for independent monitoring, but the law is unclear.

CY: Q of Postal Serv Reg 2002 §§ 8(1) (monitoring), Annex 1 (targets). Targets are for 2000. Targets increase in 2004 and 2005;

CZ: Target for 2003 (NRA interview). Decree 28/2001 § 373(5) (incomplete version of article) says D+1: 89%.

EE: Reg 419/2001 § 4; Post Law § 38 (NRA to monitor).

HU: Decree 254/2001 §§ 46, 51. Targets increase to 85% (D+1) and 97% (D+3) after 2003. On monitoring, §46(2) of the decree provides: "Postal service providers shall verify the accomplishment of the routing time targets on their own expenses by an independent body or at least by a section independent from the division responsible for the network-operating."

LT: CRA Order on Main Postal Network (unavailable).

MT: Post Law § 24 authorises Minister to set Q of S standard andr requires monitoring by NRA.

RO: Post Law §§ 15, 30. Quality of service standards for universal service must be attached as condition to license and monitored by independent body.

SI: Post Law § 3(5) requires minister to define quality of service standards; not implemented.

SK: Annex to postal license (unavailable); monitoring bodies: Univ. of Zilinia, PTT Research Inst., NRA.

Source: WIK-Consult and cited laws and regulations.

In general, the AC and CC countries are only beginning to address quality of service. According to the EU approach, the first step in ensuring quality of service is publication of quality of service targets for universal services. Six of the AC countries (CY, CZ, EE, HU, LT, SK) and Bulgaria have adopted a legal requirement that public quality of service be adopted. Five of these countries (BG, CY, CZ, EE, SK) mandate independent monitoring of performance as well. Latvia and Hungary do not. In Malta and Romania, a regulation defining quality of service standards appears to be in progress, and the post law already requires independent monitoring of performance

once the standards are set. In Slovenia, responsibility for defining and monitoring quality of service of standards lies with the minister, and plans for the future are unclear. In Turkey, the Turkish PTT General Directorate is reportedly working towards quality of service improvements in line with the Postal Directive, but there is no indication of an intention to adopt public quality of service standards and independent monitoring. Table 5-13 summarises these legal provisions. This table also summarises the quality of service requirements adopted in countries where the law so requires. In three countries (CZ, EE, SK) the standard calls for 90 percent or more of first class letter mail delivered the day after posting. In other AC and CC, quality of service standards are more forgiving or non-existent.

From an EU perspective, it appears that most of the AC and CC countries will need to address the quality of service norms required by the Directive.

## **5.7 Complaints and redress procedures**

Complaints about inadequate universal postal service should be addressed through “transparent, simple, and inexpensive” procedures according to Article 19 of the Postal Directive. To bring more daylight into the complaint resolution process, the Directive imposes to basic procedural requirements. First, the USPs are required to publish information on the number of complaints and their resolution. Second, member states must afford a means of appeal to “the competent national authority” in cases where complaints not handled fairly and promptly by the USP.

Table 5-14: Complaint and redress procedures

Country		Publication of Complaint Data	Competent Authority For Complaints
Bulgaria	BG	No	Court
Cyprus	CY	No	NRA
Czech Rep.	CZ	No	NRA / Court
Estonia	EE	No	NRA
Hungary	HU	Yes	NRA
Lithuania	LT	No	NRA
Latvia	LV	No	NRA
Malta	MT	Yes	NRA
Poland	PL	nd	nd
Romania	RO	Yes	Court
Slovenia	SI	No	NRA
Slovakia	SK	Yes	NRA/Court
Turkey	TR	No	Ministry / Court

BG: Post Law 86(4) (courts).

CY: Post Law § 25 (NRA).

HU: Communications Law § 36(6).

MT: Post Law § 27(2).

RO: Post Law § 31; Ord. No. 31/2002 (unavailable).

SK: Post Law § 25(3).

Source: WIK-Consult and cited laws and regulations.

As suggested by Table 5-14 complaint and redress procedures will need attention from the AC and CC countries. No postal law requires the USP to establish a separate office to handle customer complaints, although some member state and AC USPs do so. Only three countries (HU, MT, and RO) require publication of complaint statistics. Most AC and CC countries provide for appeal of postal complaints to the NRA, although four or five require a dissatisfied user to go to court, a relatively expensive remedy.

## 5.8 Independent regulatory authority

An independent National Regulatory Authority is one of the lynchpins of the regulatory framework set out in the Postal Directive. Article 22 declares that “each Member State shall designate one or more national regulatory authorities for the postal sector that are legally separate from and operationally independent of the postal operators.”

Section 5: Regulatory Framework

The ultimate independence of the NRA from the postal operator depends on many factors that difficult to detect in a broad scale survey. Nonetheless, certain important indicators may be noted. Ideally, the head of an independent NRA should be not appointed by a minister who also directly responsible for the success of the USP. Nor should the minister hold the purse strings of the NRA or exercise appeal authority over decisions of the NRA. An independent NRA's chief executive should hold office for a fixed term of several years and enjoy legal protection against premature dismissal. An NRA with several members and an adequate professional staff is more likely to prove capable and independent over the long term a single member NRA with few, non-professional staff.

Table 5-15: Key features of the NRA

Country		Authority Appointing USP Head	Authority Appointing NRA Head(s)	NRA Head(s) / Terms (yrs)	Professional Staff for Postal	Authority Approving NRA Budget	Authority for Appeal of NRA Decision
Bulgaria	BG	Minister	Council	5 / 5 yr	8	NRA	Court
Cyprus	CY	Public Service Commission	Council	1 / 0-6 yr	2	Council of Min	Minister
Czech Rep.	CZ	Minister	Minister	nd / None	9	Minister	Minister
Estonia	EE	USP Board	Minister	nd / None	4	Minister	Court
Hungary	HU	Privatization Authority	Prime Min	1 / 6 yr	13	NRA	Minister
Lithuania	LT	Minister	Prime Min	1 / 5 yr	2	Parliament	Court
Latvia	LV	Minister	Parliament / Council	5 / 5 yr	9	Council of Min	Court
Malta	MT	Min Invest.	Minister	5 / 1-3 yr	Not implemented	Minister	Board appt'd by Prime Min
Poland	PL	Minister	Minister	1 / 5 yr	14	nd	Court
Romania	RO	na	Prime Min	1 / 5 yr	6	Council of Min	Court
Slovenia	SI	Supervisory Board	Council	1 / 5 yr	1	Council of Min	Court
Slovakia	SK	Minister	Parliament	1 / 6 yr	11	Minister	Minister
Turkey	TR	Prime Min	None	-	-	-	-

Note: In this table, "Council" refers to the Council of Ministers.

BG: Telecommunications Law § 23 (establishment of NRA) (unavailable).

CY: Post Law §§ 3-4 (establishment of NRA).

HU: Communications Law § 72 (establishment of NRA).

LT: Telecommunications Law § 6 (establishment of NRA) (unavailable).

LV: Law on Regulators of Public Services (2001) § 7 (establishment of NRA) (Parliament appoints chairman, other 4 members appointed by Council).

RO: Ordinance 79/2002 § 38 (establishment of the NRA).

SK: Post Law §§ 12, 41 (establishment of NRA). Minister's authority to overrule NRA in respect to remedies will likely be amended in 2003.

Source: WIK-Consult and cited laws and regulations.

Judging by such indices, many of the AC and CC countries generally appear to be progressing fairly well despite the institutional challenges implied by establishment of a postal NRA. Table 5-15 summarises the survey results. In five countries (BG, LT, LV, RO, SI), the minister with primary authority over the postal sector exercises neither appointment, nor budgetary, nor appeal authority over the NRA. In each of these five countries, the NRA has a fixed year term of at least 5 years; in two countries (BG, LV), the NRA is a multi-member body. In three countries (CY, HU, SK), the NRA appears to be reasonably well established but for the fact the minister in charge of postal issues can overrule the NRA. Such an arrangement may impair the independence, or perceived independence, of the NRA. Indeed, one of these three countries, Slovakia, is considering repealing the minister's prerogative. In Malta, the NRA is appointed by the Minister for Transport and Communications (who retains budgetary authority over the NRA) while the board of the USP is appointed by the Minister for Investments and Information Technology. Decisions of the NRA may be appealed to a special board appointed by the prime minister.

In the four remaining AC countries (CZ, EE, MT, PL), the institutional independence of the NRA is less clearly defined. In all, the minister in charge of postal affairs appoints the NRA. In two, (CZ, EE), the NRA is an office within the ministry whose head has no fixed term. In most, the minister controls the budget of the NRA and can decide or influence the course of appeals from NRA decision. Finally, Turkey, the remaining country in the survey, has not yet embraced the goal of an independent regulator for the postal sector.

## 6 Major Conclusions

This chapter draws together and summarises the conclusions reached in the preceding analysis.

- 1) *The postal market in the AC countries generates about 2.5 billion Euros in total revenues and the postal sector directly employs about 322,000 persons. In the CC countries, the postal market is approximately 0.6 billion Euros and direct sector employment is about 120,000 persons.*

In the ten accession countries (AC), the total postal market – including USPs and private operators – generates about 2.5 billion Euros in revenues and approximately 322,000 persons are directly employed in the postal sector. The AC postal market is thus about 3.0 percent of the EU postal market. In contrast, the population of the AC countries is about 20 percent of the population of the fifteen EU member states, and the GDP of AC countries is 4.7 percent of the GDP of the EU.

In the three CC countries, the total postal market generates about 0.6 billion Euros in revenues and approximately 120,000 persons are directly employed in the postal sector. The CC postal market is thus about 23 percent of the AC postal market or 0.7 percent of the EU postal market. The population of the CC countries is 26 percent of the EU population, and the GDP is 2.5 percent of the EU GDP.

These estimates of the total postal market in AC and CC countries should be considered as very approximate. They are based on the postal revenues of the USPs, estimates of the shares of postal submarkets held by USPs, and the relationship between market share and CPO employment developed in an earlier Commission study.<sup>77</sup>

- 2) *With a few possible exceptions, the overall volume of postal services provided by AC and CC USPs is within the range of volume levels achieved by EU member state USPs when differences in economic development are taken into account.*

The most basic measure of the development of a postal service is the volume of items carried. Even with a legal monopoly, a USP that provides an unacceptable quality of service, charges unaffordable rates, or fails to provide adequate access will not be entrusted with the same volume of mail as a USP that meets these criteria in manner suited to the needs of mailers. Sophisticated measures of various service elements have their place, but they do not change the fact that the final test of affordability, routing times, access, and so forth is the extent to which people buy the service.

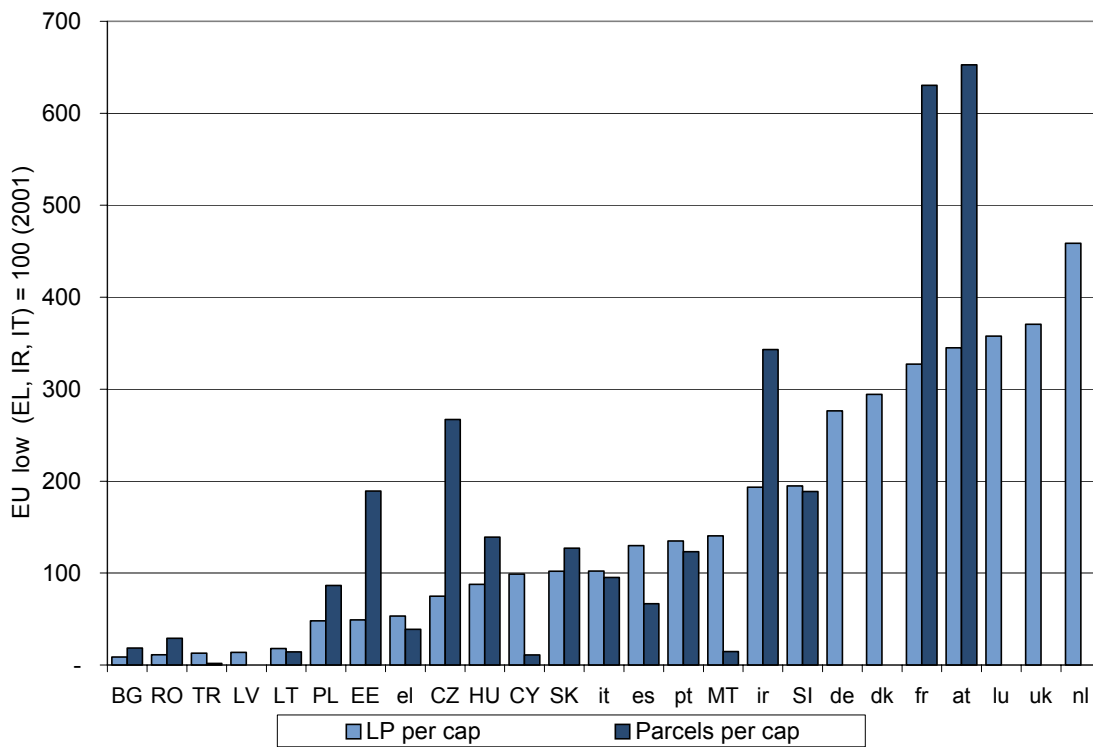
---

<sup>77</sup> PLS Ramboll, *Employment Trends in the EU Postal Sector* (2002).

Section 6: Major Conclusions

AC and CC countries differ substantially from one another and from the EU member states in population and economic development. Since population and economic development strongly influence mail volume, it is necessary to adjust for these factors in order to compare meaningfully the volume of mail carried by different USPs. In this report, we have adjusted the volume of mail carried by each USP by dividing first by population, to adjust for differences in national population, and then by GDP per capita, to adjust for differences in economic development. The result is a measure of mail volume per unit of GDP. We believe that this is the most appropriate basis for comparing mail volumes in the AC and CC countries to one another and to the mail volumes in the EU member states. <sup>78</sup>

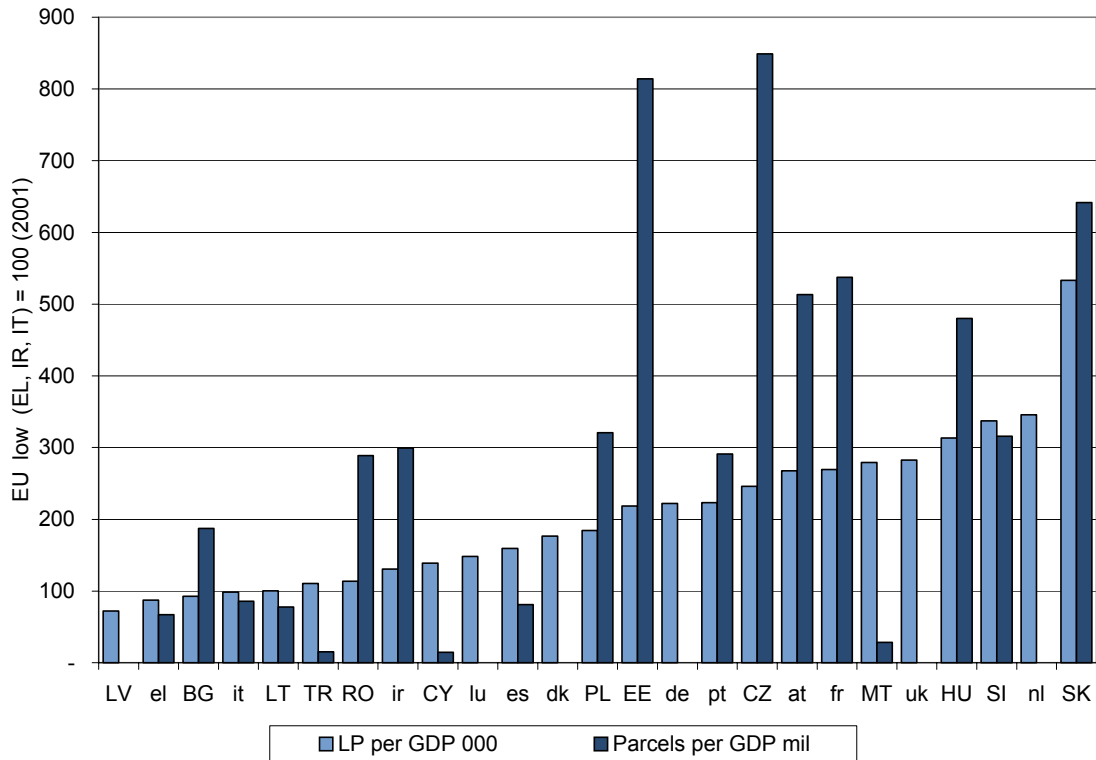
Figure 6-1: AC, CC, and EU USPs letter post and parcels per capita, 2001



<sup>78</sup> Although it is obvious that population and the degree of economic development strongly influence the volume of potential mail, the precise relation may not be linear in each case. For example, assume country A has twice as many inhabitants and twice as much economy activity (measured by GDP per capita) as country B. Everyone would agree that, if the two countries are generally similar and each USP is equally competent, the mail volume in country A will be much higher than the mail volume in country B. Not everyone would agree that the mail volume of country A will be precisely four times the mail volume of country B. Further research may disclose that the relationships between population, economic development (measured by GDP per capita), and mail volume are not strictly linear, but currently there appears to be no generally accepted alternative to an assumption of linearity.



Figure 6-2: AC, CC, and EU USPs letter post and parcels per GDP, 2001



A summary of this volumetric analysis is shown in Figure 6-1 and Figure 6-2.<sup>79</sup> Figure 6-1 shows the 2001 letter post and parcel post volumes per capita for each AC and CC USP and for twelve EU USPs for which data is available. In this figure volumes are adjusted for differences in population but not differences in economic development. In Figure 6-1, the letter post volume per capita and parcel post volume per capita is normalised so that 100 equals a weighed average of the values of three EU member state USPs (EL, IR, IT) with relatively low letter post volumes. Thus, in this figure 100 provides a rough measure of the minimum level of achievement that might be expected of a USP according to existing performance levels achieved by EU USPs. As Figure 6-1 shows, by this standard, the largest AC USPs – Poczta Polska, Magyar Posta, and

<sup>79</sup> In these figures, the letter post volume used is the sum of domestic and outbound cross border mail; the parcel post volume is the sum of domestic, outbound, and inbound cross border mail. As explained in Chapter 4, this approach to defining mail volume attempts to strike a balance between several factors: (i) inclusion of mail streams that reflect the ability of the USP to set postage rates; (ii) inclusion of mail streams that treat equally small USPs that are more dependent on cross border traffic and large USPs that are less dependent on cross border traffic, and (iii) maintaining a realistic relationship between domestic and cross border mail flows. There is no perfect definition of mail volume that satisfies all purposes.

Česká Pošta – fall somewhat below the low end of current EU postal practices in regard to letter post volume. The three Baltic USPs and the three CC USPs are well below the 100 mark. The letter post volumes of three USPs – the Cypriot Department of Postal Services, Maltapost and Slovenská Pošta – are comparable to the lower end of the current EU postal practice, while Pošta Slovenije substantially outperforms this threshold.

Figure 6-2 adjusts the numbers in Figure 6-1 for differences in economic development. From this figure it is evident that, after allowing for the lower economic development level of AC and CC countries, only Latvijas Pasts can be considered definitely below the minimum current level of postal development in the EU. In addition, Lietuvos Paštas and the three CC USPs are to be classified as borderline cases. In terms of parcel post development, AC and CC USPs have generally attracted relatively more business than their EU counterparts with the notable exceptions of (i) the USPs the Baltic states Latvia and Lithuania, (ii) the small island USPs of Cyprus and Malta, and (iii) the Turkish PTT General Directorate. Figure 6-2 appears to provide the fairest summary comparison of postal development in AC, CC, and EU countries.

Of course, there can be no assurance that AC and CC USPs will “scale up” their services with increasing economic development with the same success as member state USPs. Nonetheless, at the outset, it is important to appreciate that, judged by the most fundamental measure of all, volume of mail carried, almost all of the AC and CC USPs appear to be doing a reasonable job by EU standards when proper allowance is made for differences in population and economic development.

3) *With a few possible exceptions, AC and CC USPs provide regular, affordable, and accessible universal postal service but (i) definition, transparency, and monitoring of quality of service and (ii) separation of USP accounts and allocation of costs are inadequate from a EU perspective.*

All AC and CC countries appear to provide a universal postal service that is consistent with minimum EU requirements in major respects. In all countries, USPs report regular nationwide delivery of correspondence weighing up to 2 kg and parcels weighing up to 10 kg five days per week. In a few countries, delivery is less than five days per week in selected areas but these appear to fall within the ambit of “exceptional geographic conditions” envisioned in the Postal Directive.<sup>80</sup> Accessibility to universal postal service seems reasonable in all AC countries; in the CC countries, however, accessibility might be considered inadequate in some respects, especially in Turkey.

---

<sup>80</sup> In addition, in some ACs, parcels are delivered to the home only against a surcharge.

In terms of quality of service, although specific domestic standards are left up to member states, the Postal Directive implies that, at a minimum, 85 percent of domestic correspondence in the “fastest standard category” should be delivered by the second day after posting.<sup>81</sup> Seven or eight AC USPs<sup>82</sup> and one CC USP (BG) report meeting this standard. Only one AC USP, the Cyprus Department of Postal Services, reports failing to meet this standard,<sup>83</sup> and one other, Latvijas Pasts, reports no data on quality of service. Two CC USPs (RO, TR) likewise report no data.<sup>84</sup>

This survey does, however, reveal two major causes for concern in respect to the provision of universal service: (i) a lack of independent monitoring of quality of service and (ii) an absence of accounting controls.

The Postal Directive sets firm requirements for monitoring of quality of service. Each country is expected to set standards for quality of service, to provide independent monitoring of performance, and to publish the results. So far, as described in Chapter 4, it appears that only three countries (CZ, HU, SK) meet these standards in practice. Until objective quality of service standards are set and independently monitored, the actual quality of service provided in some AC and CC countries must be considered open to question.

Likewise the Postal Directive requires specific standards for the accounts of universal service providers. Accounts for universal and non-universal services must be kept separately. Within the set of universal services, separate accounts must be kept for each of the reserved services and for the non-reserved services collectively. Costs must be allocated according to the scheme set out in the Directive or to a compatible alternative scheme approved by the NRA. So far, only two USPs appear to have met these strict accounting criteria, Česká Pošta and Slovenská Pošta.

Independent monitoring of quality of service and objective and transparent accounting are important features of universal service as defined by the Postal Directive. These issues require further attention by AC and CC USPs.

---

**81** Article 18 of the Postal Directive requires that 85 percent of cross border mail in the “fastest standard category” be delivered in D+3 (the third day after posting). Since it is impractical to set up a special postal delivery operation for cross border mail, this requirement implicitly requires domestic mail service to achieve delivery of 85 percent of first class mail within D+2. This reasoning assumes that the D+3 standard for cross border delivery was intended to allow one day for collection and transport to the destination country, a seemingly reasonable interpretation of the 1997 Directive.

**82** Magyar Posta reports delivery of 97 percent of correspondence by D+3 but has no data for the percentage of mail delivered in D+2.

**83** However, quality of service targets for the Cyprus Department of Postal Services are increased in 2004 and 2005 to levels.

**84** For details on other less significant deviations from EU norms in the provision of universal service, see Chapter 5.

- 4) *AC and CC countries have made rapid and substantial progress in addressing and introducing the norms of the Postal Directive into national law, but there are significant variations among countries and much work remains to be done.*

The Directive requires that both national law and practice comply with EU standards. While law and practice should be consistent, in reality one may satisfy the requirements of the Directive while the other does not. In this report, therefore, legal standards are considered separately from operational practice.

All AC and CC countries except Turkey have fundamentally reformed their postal laws in the last three years. Some have done so in the last three months. Because postal legislation is so recent, in many cases implementing regulations have not yet been adopted or even drafted, and national regulatory authorities (NRAs) are still getting organised. Nonetheless, the basic outlines of new regulatory framework are visible.

Table 6-1: AC and CC coverage of key regulatory issues

Country		Authorisation of private operators	Accounting controls in law	Price and Quality of Service in law	Independence of NRA
Bulgaria	BG	◐	● ◐	● ● ●	● ● ●
Cyprus	CY	◐	● ● ●	● ● ●	●
Czech Rep.	CZ	●	○	● ●	○
Estonia	EE	●	●	● ● ●	●
Hungary	HU	● ◐	● ● ●	●	● ●
Lithuania	LT	● ◐	● ● ●	●	● ● ●
Latvia	LV	●	○	●	● ● ●
Malta	MT	◐	● ● ●	● ● ◐	● ●
Poland	PL	?	?	?	● ●
Romania	RO	● ◐	● ● ◐	● ● ◐	● ● ●
Slovenia	SI	● ●	● ● ◐	●	● ● ●
Slovakia	SV	● ● ◐	● ● ●	● ● ●	● ●
Turkey	TR	○	○	○	○

Note: See text for explanation of criteria and scores.

○ zero score

◐ half score

● one score

Source: WIK-Consult.

All AC and CC countries have legally embraced a formal guarantee of “permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users”. All require nationwide delivery (sometimes saving exceptional circumstances) of correspondence up to 2 kg and parcels up to 10 kg. On the other hand, some of the finer points of the Directive have not yet found their way into national laws and regulations. Several countries fail to require specifically that inbound cross border parcels weighing up to 20 kg must be provided universal service. Most fail to require publication of complaints in respect to the universal service.

## Section 6: Major Conclusions

It is not the purpose of this report to offer a detailed legal diagnosis of the degree of transposition of the Postal Directive by each AC and CC country. Chapter 5 of this report, however, does seek to provide an overview of the extent to which AC and CC countries are or are not addressing some of the major regulatory concepts of the Directive. To distil this discussion into conclusions, Table 6-1 summarises the record of the AC and CC countries in addressing a dozen key regulatory questions dealing with four areas receiving special emphasis in the Directive:

- Authorisation of private postal operators according to the Directive's principles:
  - Does national law permit competition in postal markets outside the area of universal service with no greater restriction than a requirement to obtain a general authorisation as permitted by Postal Directive § 9?
  - Does national law limit the reserved area to weight and price limits established by Directive 2002/39 or, at least, to those established by Directive 97/67?
  - Does national law permit competition within the universal service area (outside the reserved area) by means of a practicable licensing system consistent with Postal Directive § 9?
- Development of appropriate accounting controls on the USP:
  - Does national law require the USP to keep separate accounts for universal and non-universal services as required by the Postal Directive § 14?
  - Does national law require the USP to keep separate accounts for each reserved service as required by the Postal Directive § 14?
  - Does national law require the USP to allocate costs to each of the reserved and to the non-reserved services in the manner required by the Postal Directive §14?
- Establishment and enforcement of service and price standards:
  - Does national law require that quality of service standards are set and published as provided in Postal Directive § 16?
  - Does national law require independent performance monitoring of universal services in accordance with Postal Directive § 16?
  - Does the NRA regulate postage rates for universal service?

- Creation of an independent and effective NRA:
  - Is the governmental officer institution that appoints the head of the NRA separate from the officer institution that is ultimately responsible for the USP?
  - Does the head of the NRA have a fixed term of service?
  - Are decisions of the NRA final except for review by the courts?

In this simplified regulatory scorecard, a “yes” answer to each of these questions implies a score of 12. Table 6-1 shows how many “yes” responses may be credited to each AC and CC country.

We hasten to note this approach offers no more than a rough guide. These questions do not encompass all of the requirements of the Postal Directive. A country could make a significant start on transposition of the Directive without addressing any of them. By the same token, addressing all of these specific questions would not imply full transposition. Moreover, one could easily select a different set of key questions and produce different scores for each country. Nonetheless, we believe that this process offers useful as a way of drawing together the many points raised in Chapter 5.

Based on Table 6-1, the following conclusions appear appropriate: No AC or CC country has fully embraced all of the key legal principles of the Directive. Most countries, however, appear to have made substantial progress towards legal adoption of key regulatory principles of the Postal Directive. A handful of countries have made some progress while lagging behind in specific respects. In two countries, postal modernisation has been especially slow. Poland has only just adopted a new postal law, while Turkey has not yet started to address postal reform.

In WIK’s view, these results are fairly encouraging. From a legal standpoint, many of the AC and CC countries have taken big strides towards adopting the norms of the Postal Directive in a period of time that is quite short compared to the duration of the postal reform debate in the EU. Among the elements highlighted in this chart, authorisation of CPOs is the area that appears to need most attention. Only two countries, Estonia and Slovenia, have formally limited their reserved areas to meet the requirements of Directive 2002/39. Moreover, there is a definite tendency in some countries (e.g., BG, CY, EE, HU, MT) to adopt (although perhaps not enforce) overly restriction authorisation procedures that can limit competition in the universal service area outside the reserved area and even outside the universal service area. Legal standards for accounting clearly require sharpening in some countries (e.g., BG, CZ, EE, LV). And in some countries, legal standards for quality of service and oversight are lacking (e.g., HU, LT, LV, SI) and the independence of the NRA appear to be questionable (e.g., CY,

CZ, EE). In short, much progress has been made, but much more needs to be accomplished.<sup>85</sup>

5) *A regular, principled, and compulsory system of producing regulatory and market data for the postal sector needs to be developed for all countries and principal postal operators in the enlarged Community.*

As set out in the Terms of Reference, a principal objective of this survey was “to collate and examine data relating to the present regulatory and market situations in the 13 accession countries, taking into account the activities of both the public and the private postal service operators.” Moreover, Commission staff emphasised the need to compare data from AC and CC countries to comparable data from EU member states.

This study has revealed three major problems in the collection such data:

- data that can be reliably compared year to year and country to country do not exist in many cases;
- a significant portion of data sought by the Commission will not be voluntarily disclosed by operators and regulators; and
- the data systems of some USPs appear to be inadequate.

Lack of year to year and country to country comparability severely limits the usefulness of available data. For example, as noted in Chapter 4, we conclude that it is impossible to develop reliable time series comparisons from much of the available volume data. Abrupt changes in volume year to year and other statistical vagaries strongly suggest changes in definitions and data collection methods rather than changes in actual volume. Moreover, given such variation in statistical techniques within a single country, it would be unreasonable not to expect significant variation in statistical techniques among countries.<sup>86</sup>

To develop operational and regulatory data that is reliably comparable from year to year and country to country, uniform data standards must be defined in advance. Attempts to gather such data on an hoc basis are costly, time-consuming, and ultimately ineffective. To the extent that this study has been successful in gathering comparative data for AC, CC, and EU USPs, much of the credit must be given to the statistical categories

---

<sup>85</sup> We offer no view on Polish postal reform law because that law has been fundamentally revised during the course of preparing this report. No translation of the new law was available and we were informed by Polish authorities that translation of earlier drafts were unreliable indicators of the new law. The Turkish law dates from 1950, and no translation is available. Based on responses of the USP (PTT General Directorate), we conclude that (unsurprisingly) the 1950 Turkish law did not address any of the key principles of the Postal Directive.

<sup>86</sup> As noted in Appendix 2 the differing treatment of unaddressed mail in the letter post statistics submitted to the UPU tends to support this hypothesis.

developed by the UPU. Even where this study has relied upon data submitted directly to WIK by USPs, that data has been largely shaped in advance by UPU practices.

Statistical systems developed by the UPU are, however, inadequate to the requirements of the Commission in several respects. First, UPU statistical categories are not drawn finely enough for EU purposes. For example, the UPU category for letter post does not distinguish between addressed and unaddressed mail, a distinction that is important under EU concepts of universal service. Nor does the UPU database separate direct mail from other types of printed matter. Nor is there any distinction in the UPU system between parcels within the universal service and parcels outside the universal service. Second, the UPU statistical system does not cover the entire postal market. It does not, for example, collect statistics on express services and document exchanges. Third, the UPU system is designed only for public operators, yet the EU concept of postal markets embraces private operators as well.

We conclude, therefore, that the Commission needs to consider development of a EU statistical system for operational and regulatory data related to postal markets. This system should be built upon the foundations already laid by the UPU, but it should extend that system to meet the needs of EU policy. At the same time, it should impose the minimum costs on postal operators consistent with public needs.

The second major problem encountered in gathering data for this study has been the voluntary nature of the survey. All CPOs and one of the largest AC USPs declined to provide any market data at all.<sup>87</sup> Other USPs omitted from their responses to questionnaires basic market data that they had previously provided to the UPU, casting doubt on their willingness to attest to its validity. It is apparent that this problem will only become more serious as EU postal markets become more competitive. Year by year, EU member state USPs are disclosing less and less information in their annual reports to the UPU. It is already impossible to calculate EU-wide averages for many statistical categories.

The standard reasons given for failure to answer data requests are commercial confidentiality and regulatory burden. On the one hand, it is all too easy for a competitor to use such excuses to rationalise its “free rider” status, reaping the benefit of overall market information while saving itself the cost of participation. Nonetheless, we believe that these standard objections also raise serious issues that deserve a serious response. Too much regulatory disclosure can inhibit competition. There is a significant cost associated with the collection of data. A considered economic study of the costs and benefits of collecting postal market data appears appropriate. Those who raise the cry of “commercial confidentiality” and those who demand “more data” should each

---

<sup>87</sup> One CPO provided some general information about its operations (UPS).



make their case, and an appropriate balance should be struck to which all significant principal postal market participants should be required to adhere.

The third major problem identified is the inadequacy of the data systems of some USPs. It is evident from conducting this survey that some USPs simply do a poor job of keeping records. We did not, however, find this to be a major or endemic problem among AC and CC USPs. In many cases, AC and CC USPs are managing far smaller and simpler operations than EU member state USPs, and, arguably at least, a less sophisticated statistical system is adequate to the task. For example, an elaborate system for registering, categorising, resolving, appealing, and publicising consumer complaints may be appropriate for a large USP and yet inappropriate for a much smaller USP. The same might be even said for detailed traffic and quality of service data. In a small country with little postal traffic, one may imagine that all customers are familiar with the quality of postal service without reference to elaborate statistics. At the same time, we find that AC and CC USPs are generally doing a better job of data collection today than they were in 1998. Inexplicable year to year jumps are diminishing, and in several cases, more detailed data is available in later years than in earlier years.

We conclude the data collection capabilities of individual USPs is not a problem that requires separate address at this time. Establishment of a more orderly and principled data system, backed by the regulatory requirements and controls envisioned by the Postal Directive, should largely resolve this problem.

6) *The postal situation in Poland warrants further study for three reasons: (i) substantial regulatory changes have been adopted after completion of this survey; (ii) an overall pattern of declining USP mail volumes and sharply rising USP prices raises concerns; and (iii) Poland represents almost half of the total AC postal market.*

The foregoing analysis indicates that there are a number of AC and CC countries which need to address specific operational and regulatory areas; some more than others. However, in one AC country, Poland, WIK concludes that further study is warranted.

We have come to this conclusion only after consideration of many factors. Poczta Polska is the largest USP in the largest AC country. The vitality of its universal postal service is therefore especially important. In fact, however, this survey has revealed a number of questions about universal service in Poland. Alone among AC USPs, Poczta Polska's domestic letter post volume seems to have declined in the period 1998 to 2002 notwithstanding an improving economy.<sup>88</sup> Poczta Polska also seems to be lagging behind other large and medium-sized AC USPs in domestic parcel and express

---

<sup>88</sup> We suspect that the decline in domestic letter post was not as large as indicated by Poczta Polska's official mail volume figures, but a finding of no growth from 1998 to 2002 seems to be most optimistic reading of the data.

services. Then, too, the proper interpretation of quality of service data is questionable since the statistics refer only to a “priority” mail service that includes a very small fraction of letter mail. While universal service has been in seeming decline, Poczta Polska has rapidly raised basic letter rates rapidly to the highest level in AC countries and invested substantially in non-postal businesses. Moreover, because postal law reform was not adopted until too late for consideration this study, the regulatory norms which will shape future development of the postal sector are unknown.

In view of this constellation of circumstances, a further review of the market and regulatory aspects of the Polish postal market appears warranted. In addition to a consideration of the new postal law, this study should consider the role of private operators in the total market in greater detail than we have been able to.

---

## **Appendices**

---



## Appendix 1: Exchange Rates

The following exchange rates have been used in this study.

Table A1-1: Currency exchange rates

		1998	1999	2000	2001	2002
Bulgaria	BG	0.5100	0.5100	0.5291	0.5130	0.5127
Cyprus	CY	1.7273	1.7319	1.7461	1.7447	1.7508
Czech Republic	CZ	0.0286	0.0272	0.0281	0.0294	0.0326
Estonia	EE	0.0640	0.0640	0.0638	0.0640	0.0640
Hungary	HU	0.0040	0.0040	0.0038	0.0039	0.0041
Lithuania	LT	0.2135	0.2348	0.2713	0.2794	0.2892
Latvia	LV	1.5120	1.6001	1.7902	1.7869	1.7240
Malta	MT	2.2745	2.3561	2.4810	2.4879	2.4909
Poland	PL	0.2452	0.2371	0.2497	0.2731	0.2612
Romania	RO	0.0001	0.0001	0.0001	0.0000	0.0000
Slovenia	SI	0.0053	0.0051	0.0048	0.0046	0.0044
Slovakia	SK	0.0235	0.0227	0.0235	0.0231	0.0235
Turkey (mil units)	TR	2.7391	2.2384	1.7369	0.9014	0.6825

Table shows value of 1 unit of national currency in Euros at average annual exchange rate.

Source: Oanda.com.



## Appendix 2: Comment on the Quality of Time Series Data for Postal Volumes

### *Domestic letter post*

For domestic letter post volume, this study relies on USPQ data for all USPs for the years 1998 to 2002 except for the USPs of CZ, MT, and SK data, for data which is derived from the UPU statistical database.<sup>89</sup> UPU statistics for 2002 have not yet been published so the 2002 value are missing for these USPs.<sup>90</sup> The development of this dataset and some comments on its apparent reliability follow.

In response to the WIK questionnaire, 10 of 13 USPs (BG, CY, EE, HU, LT, LV, PL, RO, SI, TR) provided at least summary information on letter post volumes for the five-year period 1998-2002 with the exception of LV which provided no figure for 2002. Two USPs (CZ, MT) provided no data in response to the questionnaire (USPQ) even though such data was provided to the UPU. One USP (SK) provided USPQ letter post data only for 2000 to 2002 even though it provided 1998 to 2001 data to the UPU.

Table A2-1: Comparison of UPU and USPQ domestic letter post data, 1998-2001

		1998	1999	2000	2001	Ave. Abs. Var. 1998-01	Avg. Abs. Var. LP + Unaddr 1998-01
Bulgaria	BG	na	na	na	na	na	na
Cyprus	CY	0%	0%	0%	-1%	0%	0%
Czech Rep.	CZ	na	na	na	na	na	na
Estonia	EE	-1%	1%	0%	45%	12%	2%
Hungary	HU	55%	40%	42%	23%	40%	18%
Lithuania	LT	7%	6%	6%	5%	6%	20%
Latvia	LV	-6%	-6%	-5%	-5%	5%	5%
Malta	MT	na	na	na	na	na	na
Poland	PL	13%	19%	23%	18%	18%	2%
Romania	RO	23%	20%	na	0%	11%	13%
Slovenia	SI	12%	18%	25%	31%	22%	1%
Slovakia	SK	na	na	21%	23%	na	na
Turkey	TR	0%	0%	0%	0%	0%	0%

Note: Percent in table is (UPU volume - USPQ volume) / USPQ volume. Average absolute variation is based on a minimum of 3 years data.

Source: WIK-Consult

<sup>89</sup> In the case of SK, we used the UPU data rather than combining the UPU and USPQ data because the USPQ indicate an incredible 46 percent decline in letter post volume from 2000 to 2002.

<sup>90</sup> In our basic data set for domestic letter post volumes, we made one adjustment to the data. To compensate for missing data, we set the MT 1999 volume to be equal to the 1999 value times the 1999 value divided by the 2000 value.

At the outset, WIK sought to assess the reliability of UPU statistics by comparing UPU data against USPQ data for the 11 USPs responding to this survey. In the UPU statistics, the volume of the domestic letter post is given by item 8.2: “number of letter-post items, domestic service”.<sup>91</sup> Table A2-1 shows the percent difference by which UPU item 8.2 exceeded the volume of domestic letter post reported in the USPQ data. For example, as indicated in the table, the Eesti Post reported 45 percent more volume to the UPU for 2001 than it did in the survey. Overall, this table suggests that, if the USPQ data is accepted as correct, UPU item 8.2 overstates domestic letter post volume by 5 to 40 percent and that the effect is unpredictable.

One reason for differences between the UPU and USPQ data is that some post offices include unaddressed mail in UPU item 8.2 in some years. The last column in table A2-1 shows that for 4 USPs (EE, HU, PL, SI), UPU item 8.2 agrees more closely with the sum of the domestic letter post and unaddressed mail reported in the USPQ data than with the domestic letter post standing alone. From the standpoint of EU policy analysis, however, unaddressed mail is a distinctly different product from domestic letter post. Moreover, even after taking into account unaddressed mail, UPU data includes other substantial unexplained variations between the UPU and USPQ data. There is no apparent way to correct the UPU data for either of these problems.

Overall, WIK believes that the USPQ data provides a better measure of domestic letter post volume than UPU item 8.2 because unaddressed mail is reported separately. Moreover, it may be assumed (but cannot be demonstrated) that the USPQ is to be preferred because it (i) has been prepared later in time (allowing more opportunity for correction) and (ii) has been prepared in response to a specific request of the Commission rather than a generalised obligation to the UPU. Therefore, in evaluating the domestic letter post market, this report relies upon USPQ data where possible and otherwise on UPU data.

---

<sup>91</sup> From time to time the UPU has revised its statistical categories. Current item 8.2 was previously item 7.1.



Table A2-2: Annual variation in domestic letter post, 1999-2002

		1999	2000	2001	2002	max. Abs. Ann Change 1999-2002	Max. 2 yr. Swing 1999-2002
Bulgaria	BG	-7%	11%	-17%	15%	17%	32%
Cyprus	CY	4%	18%	8%	-3%	18%	11%
Czech Rep.	CZ	15%	6%	-18%	na	18%	24%
Estonia	EE	-2%	1%	6%	13%	13%	3%
Hungary	HU	42%	4%	8%	4%	42%	38%
Lithuania	LT	3%	2%	9%	14%	14%	7%
Latvia	LV	3%	45%	6%	na	45%	42%
Malta	MT	3%	3%	4%	na	4%	1%
Poland	PL	-4%	-21%	11%	-6%	21%	33%
Romania	RO	8%	-12%	7%	9%	12%	20%
Slovenia	SI	8%	7%	0%	1%	8%	7%
Slovakia	SK	4%	2%	5%	na	5%	29%
Turkey	TR	4%	-2%	-17%	12%	17%	19%

Source: WIK-Consult

Inspection of annual changes from the previous year offers a second test of data credibility. Absent specific explanation, it appears inherently incredible that the domestic letter post volume varies from year to year by amounts substantially in excess of variations in GDP table A2-2 shows the annual percentage increases or decreases in domestic letter post volumes gleaned from USPQ and UPU sources. This table raises several obvious question marks. Volume changes of more than, say, 20 percent over the previous year seem unlikely, yet 3 of 13 USPs report at least one annual change of more than 20 percent between 1998 and 2002 and 5 report two-year swings of more than 20 percent (e.g., from an annual increase of 10% to and annual decrease 10%). In each case, WIK has sought to clarify these question marks with follow-up questions to the USPs. In some cases (SK, LV, PL) USPs reported changing methods for estimating letter volume, casting doubt on the earlier data (at least). In other cases, no explanation was forthcoming.

In light of such considerations, WIK considers letter post time series data from only 6 USPs to be credible on its face (CY, EE, LT, MT, SI, TR). Data from 3 additional USPs (CZ, RO, SK) appears to be moderately credible but cannot be wholly relied upon because of deficiencies in the UPU statistics systems and/or annual or two-year swings of more than 20 percent. Significant questions arise in respect to the reliability of the data available from the remaining 4 USPs (BG, HU, LV, PL) which include annual or two-year swings of more than 30 percent. Overall, this review casts at least moderate

doubt on 87 percent of AC letter post volume and strong doubt on 60 percent. Time series data for the domestic letter post of AC countries, and, to lesser extent CC countries, must therefore be considered only approximate.

### ***Cross border letter post***

For outbound and inbound cross border letter post volume, this study relies on USPQ data for all USPs for the years 1998 to 2002 except for the USPs of CZ, MT, SI, and SK data, for which data is derived from the UPU statistical database.<sup>92</sup>

Cross border volume data is generally more reliable than domestic volume data because posts need to settle terminal dues accounts with each other and pay for international transportation. Since terminal dues for most countries are based on the weight of mail exchanged, posts typically keep records on the weight of cross border letter post mail and derive volume estimates by positing an average weight per piece. Moreover, weight records are also generated by the fact that posts pay international airlines by the kilogram to transport much international mail. The main difficulty in developing volume data for cross border mail is encountered in converting from weight to number of pieces. The average weight per piece may be based on an accurate survey of actual cross border mail, or it may also be a less accurate traditional figure unrelated to current practice or a worldwide average derived by the UPU. A change in the assumed average weight per piece can result in large but artificial year-to-year changes in the reported volume of letter post.

Nine USPs (BG, CY, EE, HU, LT, LV, PL, RO, TR) provided summary information on outbound and inbound cross border letter post volumes for the five-year period 1998-2002. The other 4 USPs (CZ, MT, SI, SK) provided no data in response to this study but reported basic information to the UPU for the four-year period 1998-2001. Checking the six sets of USPQ data against the UPU data shows that, with one exception, UPU figures are within 10 percent of volumes reported in the survey. The exception is Eesti Post, which reported inbound letter post volumes to the UPU that were 70 percent or more above the corresponding volumes reported in answer to the questionnaire. Eesti Post's responses to the survey appear reasonable and we have assumed they are reliable.

Looking year to year volume changes raises a few questions about data reliability. In brief, cross border letter post data from four posts appears implausible (BG, LV, MT, TR). Thus, the AC cross border mail figure appear to be reliable while the CC figures are less so.

---

<sup>92</sup> In our basic data set for cross border letter post volumes, we made two adjustments to the data. To compensate for missing data, we set (i) the LV 1999 outbound volume to be equal to the average of the reported figures for 1998 and 2000 and (ii) the MT 1998 inbound volume to equal the 1999 inbound volume.

### **Domestic parcel post**

For domestic parcel post volume, this study relies on USPQ data for all USPs for the years 1998 to 2002 except for the USPs of CZ, MT, and SK (1998 and 1999 only), for which data is derived from the UPU statistical database.

For the domestic parcels market, USP responses to the WIK questionnaire yielded complete data for the period 1998 to 2002 for 9 USPs (BG, CY, EE, HU, LT, PL, RO, SI, TR). Two (CZ, MT) reported no parcel post data in the survey but reported data to the UPU. Slovenská Pošta (SK) reported parcel data in the questionnaire for 2000 to 2002 and to the UPU for 1998 to 2001. Latvijas Pasts reported 1998-2000 data in response to the service and 1998-2001 data to the UPU. Although the LV USPQ and UPU figures are identical, they vary so incredibly from year to year that they have been discarded in most of our analysis.<sup>93</sup>

Table A2-3: Comparison of USPQ and UPU domestic parcel post, 1998-2001

		1998	1999	2000	2001	Avg. Abs. Var. 1998-01
Bulgaria	BG	0%	0%	0%	52%	13%
Cyprus	CY	132%	80%	0%	0%	53%
Czech Rep.	CZ	na	na	na	na	na
Estonia	EE	0%	0%	0%	-24%	6%
Hungary	HU	6%	7%	6%	5%	6%
Lithuania	LT	38%	30%	24%	28%	30%
Latvia	LV	0%	0%	0%	na	0%
Malta	MT	na	na	na	na	na
Poland	PL	-4%	-5%	-5%	0%	3%
Romania	RO	-100%	-100%	3%	5%	51%
Slovenia	SI	0%	0%	0%	0%	0%
Slovakia	SK	na	na	107%	10%	na
Turkey	TR	0%	0%	0%	0%	0%

Source: WIK-Consult

<sup>93</sup> Latvijas Pasts reported domestic parcel volumes of 73, 316, 450, and 15 thousand items for the years 1998 to 2001 respectively.

Comparing UPU data with available USPQ data reveals several substantial discrepancies appear.<sup>94</sup> See Table A2-3. For example, in 2001, several posts reported much higher parcel volumes to the UPU than in the survey questionnaire (BG, 52 percent; LT, 28 percent; SK, 10 percent), while Eesti Post reported 24 percent fewer parcels in the questionnaire reply. Lietuvos Paštas (LT) regularly reports parcel volumes to the UPU about one-third higher than those reported in answer to the questionnaire. On the other hand, in many cases, UPU and USPQ data agree or agree to within a few percent. The reasons for these discrepancies have not been discovered.

Table A2-4: Annual variation in parcel letter post, 1999-2002

		1999	2000	2001	2002	Max. Abs. Ann Change 2999-2002	Max. 2 yr. Swing 1999-2002
Bulgaria	BG	7%	23%	5%	3%	23%	18%
Cyprus	CY	-34%	-49%	-17%	-7%	49%	32%
Czech Rep.	CZ	-7%	-13%	33%	na	33%	46%
Estonia	EE	-16%	-21%	44%	17%	44%	65%
Hungary	HU	-3%	3%	-1%	0%	3%	6%
Lithuania	LT	39%	45%	1%	-55%	55%	56%
Latvia	LV	332%	42%	na	na	na	na
Malta	MT	-54%	-16%	59%	na	59%	75%
Poland	PL	-7%	2%	-4%	-4%	7%	9%
Romania	RO	-15%	-9%	-5%	8%	15%	13%
Slovenia	SI	58%	25%	10%	21%	58%	33%
Slovakia	SK	-10%	-10%	-5%	na	10%	5%
Turkey	TR	17%	-17%	1%	8%	17%	34%

Source: WIK-Consult

Table A2-4 presents the annual increase or decrease in domestic parcel post volume. Because parcel post volumes are lighter than letter post volumes and subject to competition, we assumed that year to year variations might plausibly be somewhat higher in the letter post data. As a rough indication of data reliability, WIK considered a year-to-year change of more than 40 percent to imply poor reliability and a year to year

<sup>94</sup> In UPU statistics, domestic parcel data is presented under more than one item. For the 1998-2000 period, parcel data is presented under two items: "9.1 Ordinary parcels, domestic service" and "9.4 Insured parcels, domestic service". In 2001, a third category was added for parcels for which postage is collected on delivery: "9.7 COD parcels, domestic service". Items 9.1 and 9.4 appear to be mutually exclusive so that the total number of domestic parcels is a sum of the two items. Item 9.7 does not appear to be a separate category.

change of more than 25 percent to indicate moderate reliability. By these standards, it appears that the parcel data from 5 USPs (BG, HU, PL, RO, SK) is credible on its face, accounting for about 61 of the AC parcel post market (excluding LV) and 88 percent of the CC parcel post market in 2001. Data from one USP (TR) appears moderately reliable. The parcel post data from the remaining 6 USPs (CY, CZ, EE, LT, MT, SI) appears to have poor reliability; these USPs account for 39 percent of the AC parcel post market.

### ***Cross border parcel post***

For outbound and inbound cross border parcel post volume, this study relies on USPQ data for all USPs for the years 1998 to 2002 except for the USPs of CZ, HU (outbound only), and MT, for which data is derived from the UPU statistical database.<sup>95</sup>

USPQ and UPU cross border parcel postal data generally within a few percent. Where there are differences, we have relied as the USPQ data<sup>96</sup>

An analysis of annual changes in volume suggests relatively few problems in the data. We would, however, rate as only moderately creditable the outbound parcel post data for 3 USPs (BG, EE, RO) and the inbound parcel postal data for 2 USPs (BG, TR).

---

<sup>95</sup> In our basic data set for cross border parcel post volumes, we made three adjustments to the data. To compensate for missing data, we set (i) BG 1999 outbound volume halfway between the 1998 and 2000 figures and (ii) set the HU and LV 2002 outbound volume by assuming that the average weight per outbound parcel in 2002 was the same as 2001 (outbound weight totals are known).

<sup>96</sup> From this comparison, for example, it appears that Pošta Slovenije does not report “ordinary” parcels to the UPU so that USPQ data is more complete.