

USO: Considerations and next steps



Plan of the presentation

How to spend 5 mins well...

1. Setting the scene

- Why are we all looking at the USO?

2. Our initial considerations

- Reduce the scope of the USO
- Increase the flexibility for USPs
- (if necessary) Provide targeted support to vulnerable users who cannot afford basic postal services

3. Next steps

- Ask the right questions
- Ask the right people
- Enable operators' future innovations



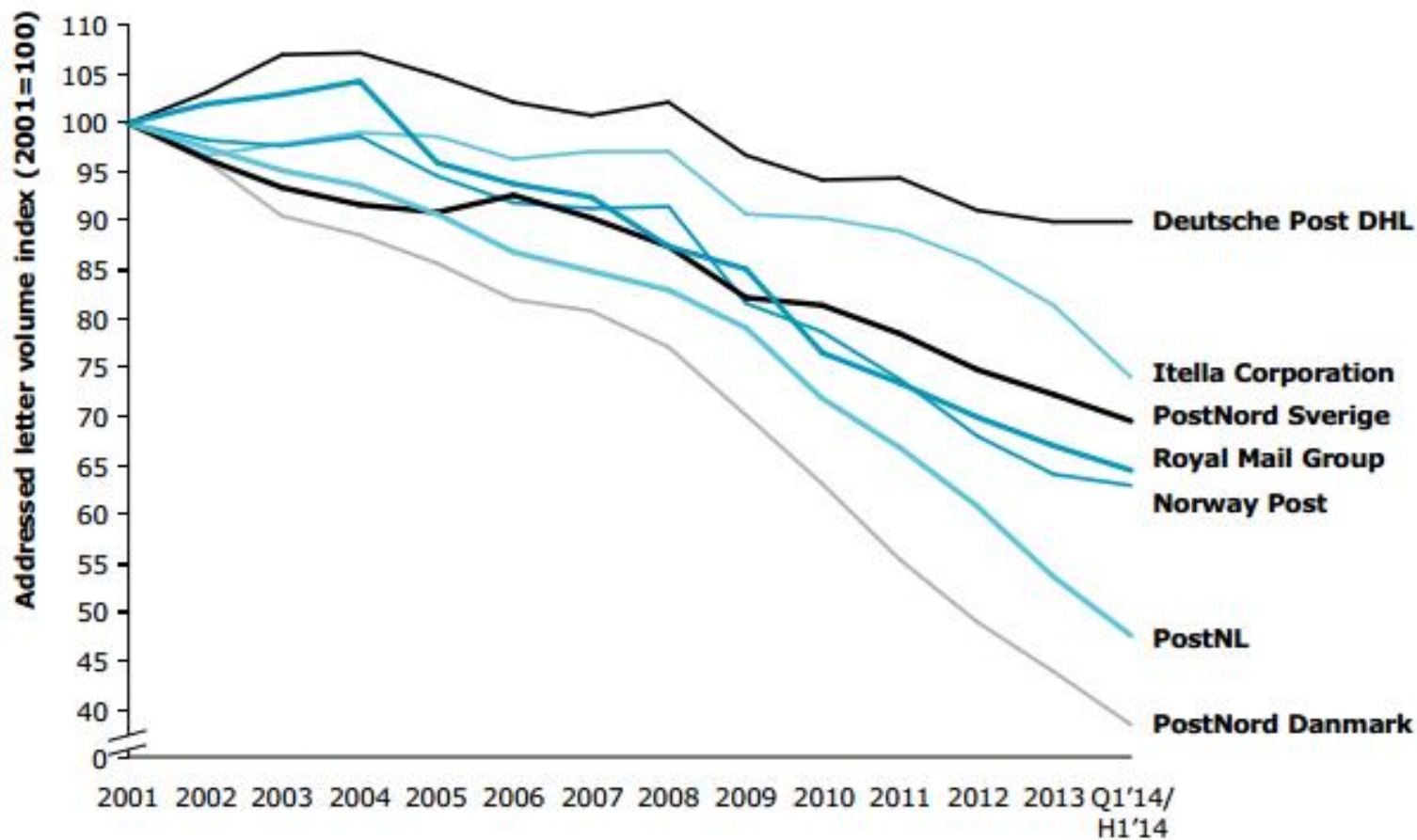
Setting the scene: 1 key conflict + 3 shifting fault lines

Why are we all looking at the USO?

Major conflict

The USO becomes more and more expensive as volumes decline

Volumes trends

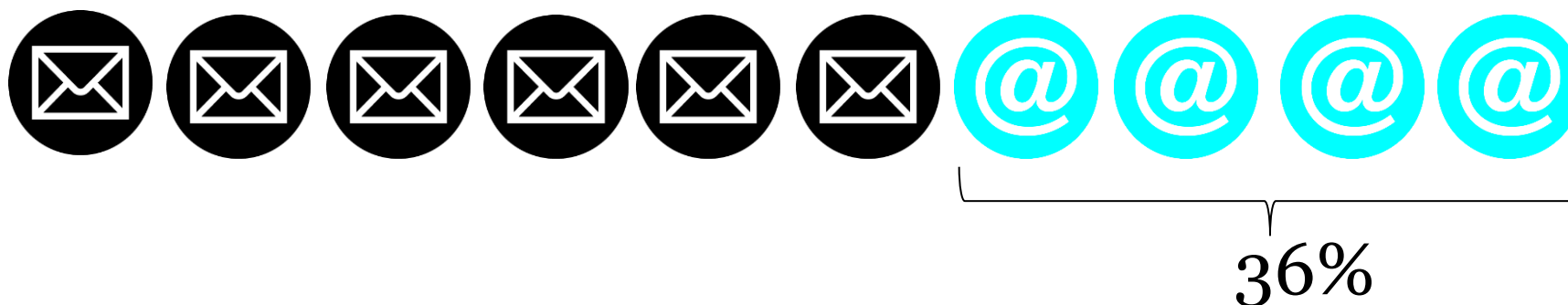


	Public digital agenda	Competition on letter mail	Comparative letter prices PPP-adjusted
Deutsche Post DHL	● (Low)	● (Strong)	● (Low)
Itella Corporation	● (Low)	● (Low)	● (Strong)
PostNord Sverige	● (Low)	● (Strong)	● (Low)
Royal Mail Group	● (Low)	● (Strong)	● (Medium)
Norway Post	● (Medium)	● (Low)	● (Strong)
PostNL	● (Medium)	● (Strong)	● (Low)
PostNord Danmark	● (Strong)	● (Low)	● (Strong)

Source: Postnord (2014), The Leading Nordic Communications and Logistics Company. Presentation held by President and Group CEO Håkan Ericsson at PostEXPO 2014, 23 September, 2014

Behavioural change: Most communication is done digitally

2004



2013



Setting the scene: 1 key conflict + 3 shifting fault lines

Shifting tectonic plates in postal world lead to 3 fault lines

1. Changing needs

The generational
clash

The USO cost-benefit
balance changes

2. Public policy pulling in opposite directions

Save public spend
via e-government

A still broad USO

Need for change?

3. Affordability: historic concerns but no more general concerns

Are letters less affordable than ice cream?

Household spend, 2010 EU average

→
Ice cream: €65

→
Postal: €35



Key options on the table

What actions could be considered?

2 key aims

1. Reduce cost and make service provision sustainable, efficient and targeted to the large majority of users

2. Ensure basic services for vulnerable users in a less costly way

Key options on the table

What actions could be considered?

3 key actions

1. Reduce the scope of the USO

2. Increase the flexibility for USPs

3. (if necessary) Provide targeted support to vulnerable users who cannot afford basic postal services

What more do we need to know?... A lot

Next steps

A cost benefit framework → focus on needs and costs

- 1. Needs: Ask the right questions**
- 2. Needs: Ask the right people**
- 3. Costs: enable operators' future innovations**

Bruno Basalisco

bb@copenhageneconomics.com

Copenhagen Economics A/S

Sankt Annæ Plads 13

DK-1250 Copenhagen K

copenhageneconomics.com

