

A sustainable and relevant postal USO in a digital environment

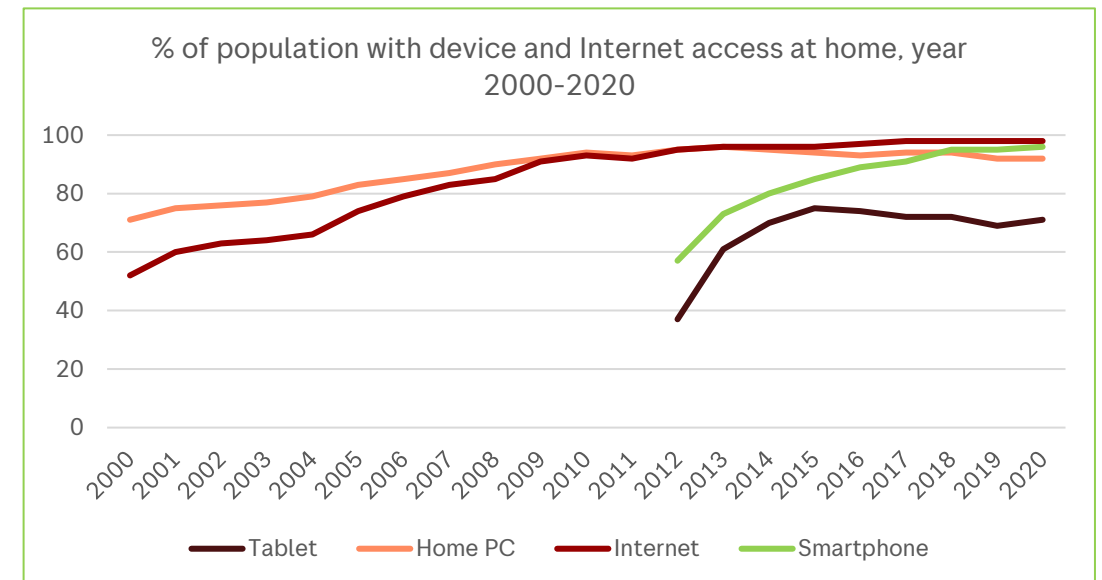
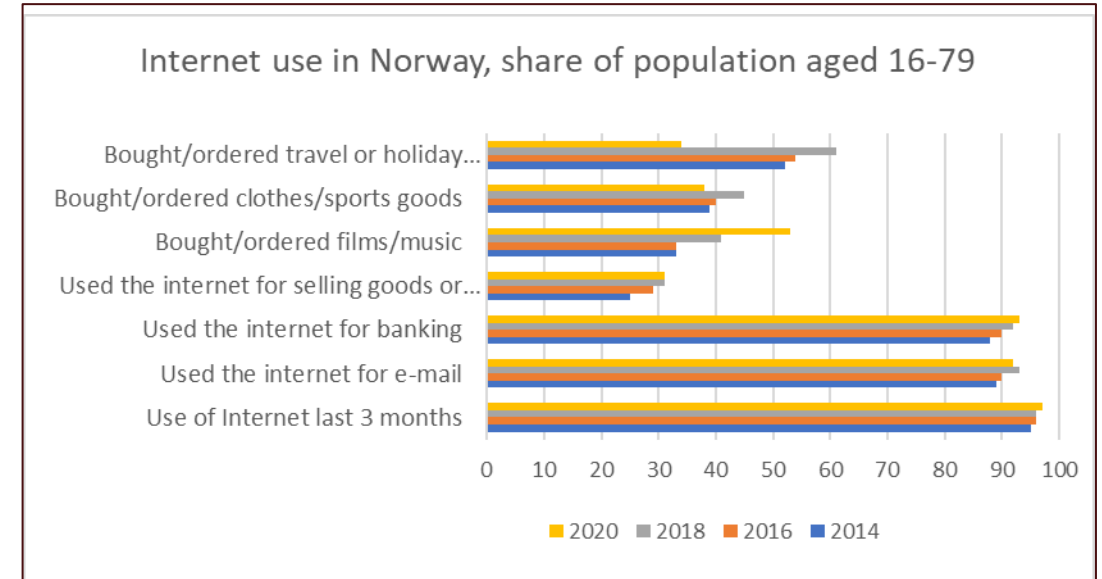
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Kristin Bergum, Senior Vice President
International and Regulatory Affairs,
Norway Post



In Norway «everyone» uses the internet for all important communications and transactions

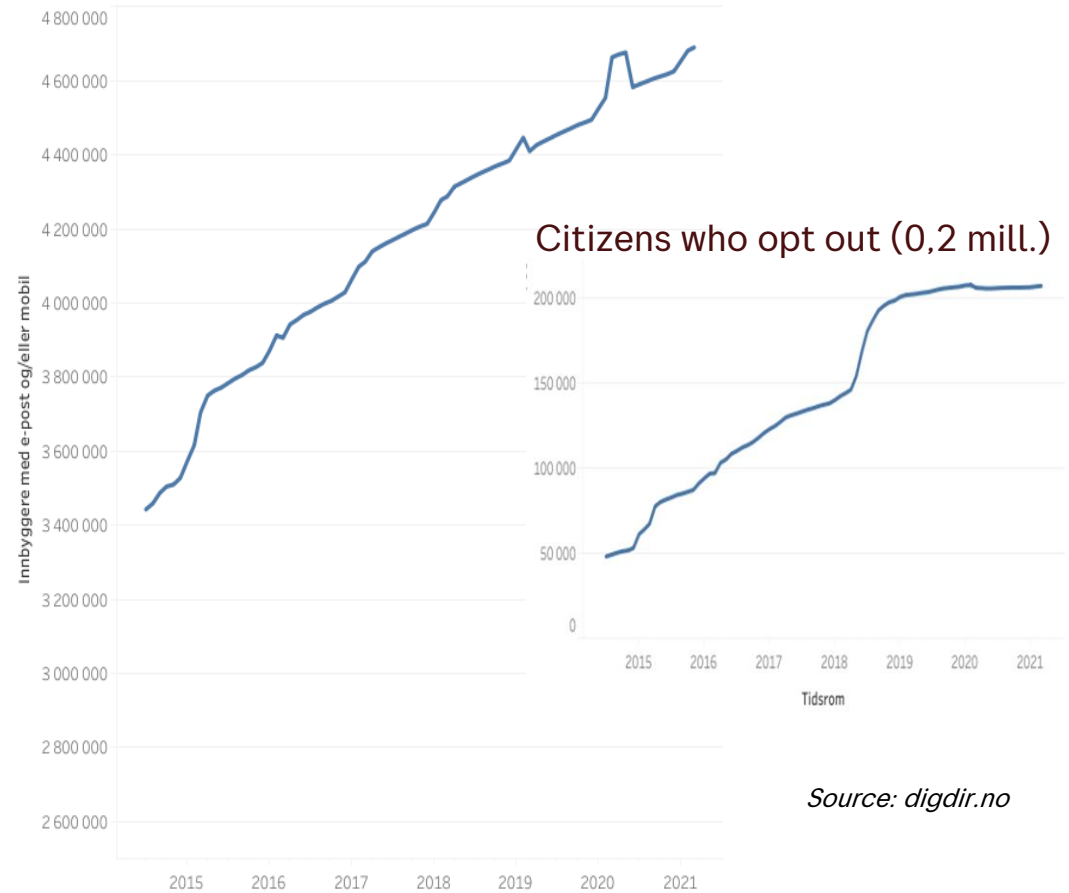
- ✓ 95-100 % of all age groups 16 to 64 years old use the Internet daily. For ages 65-74 and 75-79, about 80 % and 65 %, respectively, use the Internet at least weekly.
- ✓ More than 90 % of the adult population uses the Internet for banking (93 %) and sending emails (92 %).
- ✓ More than 60 % used the Internet to buy/order travels/holiday accommodation over the last 3 months ((2019) and nearly 50 % to buy clothes/sports goods (2019).
- ✓ 88 % of the population aged 16-79 participates in social networks on the Internet.
- ✓ ~ 100 % of people have an Internet connection at home.
- ✓ 81 % of citizens submitted completed forms to eGov services last 12 months (EU DESI Scorecard, 2020).





Norwegians prefer digital communication with the public sector

Citizens registered for digital communication (4,7 mill.)*



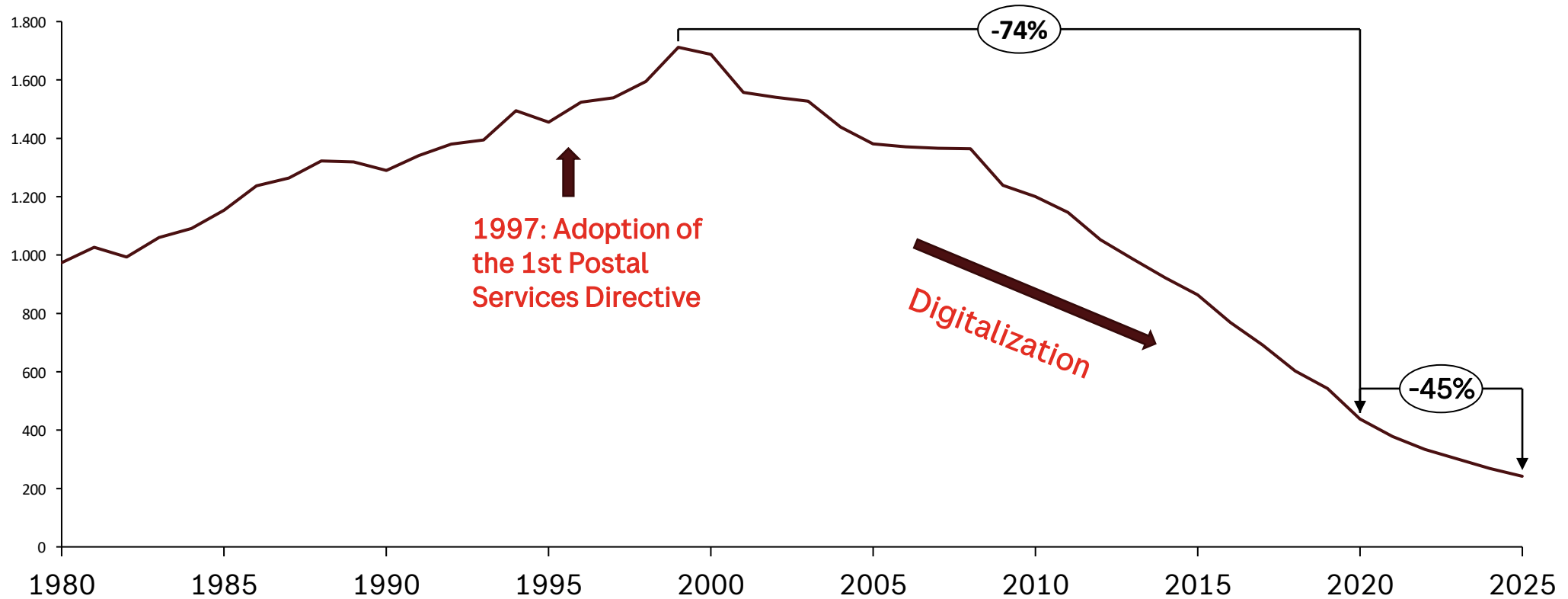
Source: digdir.no

* Total population is 5,4 mill.

Digitalization has caused a 74 % drop in letter volumes since the peak in 1999

Volume development for letter items, small packets and newspapers
1980-2025. Posten Norge

Million items



20 years of adapting the USO to changing market conditions: every other day delivery from 2020 has been well received but is not financially sustainable



Adaption of services to the users' needs and preferences

Successful transition to mail distribution every other day from July 2020 – A major change for Posten – a small change for our customers

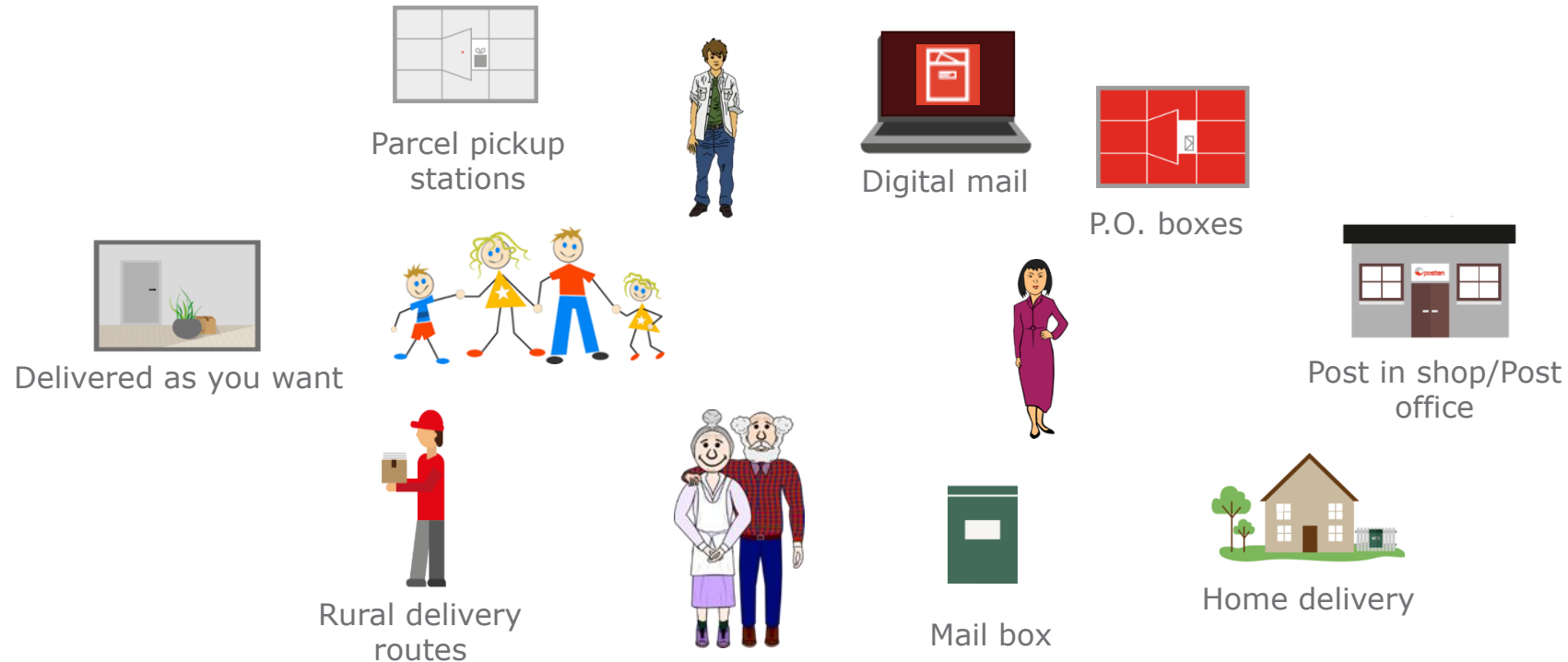
Quite extensive media attention



Summary of the transition

1. What the transition means for our customers
 - Mail delivery every other day in the letter box (Monday, Wednesday and Friday one week, Tuesday and Thursday the following week).
 - Transit time for letters changes from 2 days to 2-3 days.
 - 5 day delivery to the P.O. Box.
2. Specific solutions for services for which the customer is willing to pay;
 - **Public tender: Newspapers – Distribution by Posten Monday-Friday in rural areas.**
 - **Public tender: Items for the blind 5 day delivery per week.**
 - B2C parcels – deliveries to pick up points unchanged. Parcels/packages in the letter box continues with 5 day delivery to around 50% of all households in Norway (every other day in remaining areas).
 - Advertising – separate solutions to reach around 90% of the country's households by end of Monday every week.
3. Posten's most comprehensive transition in 373 years
 - Re-design of the entire value chain.
 - No redundancies. All the affected 1000 full time equivalents taken care of via voluntary arrangements.
4. Successful transition
 - Stable operations achieved quickly.
 - Quality of service (transit time) above the licence requirements.
 - Few customer complaints. Overall positive media attention.

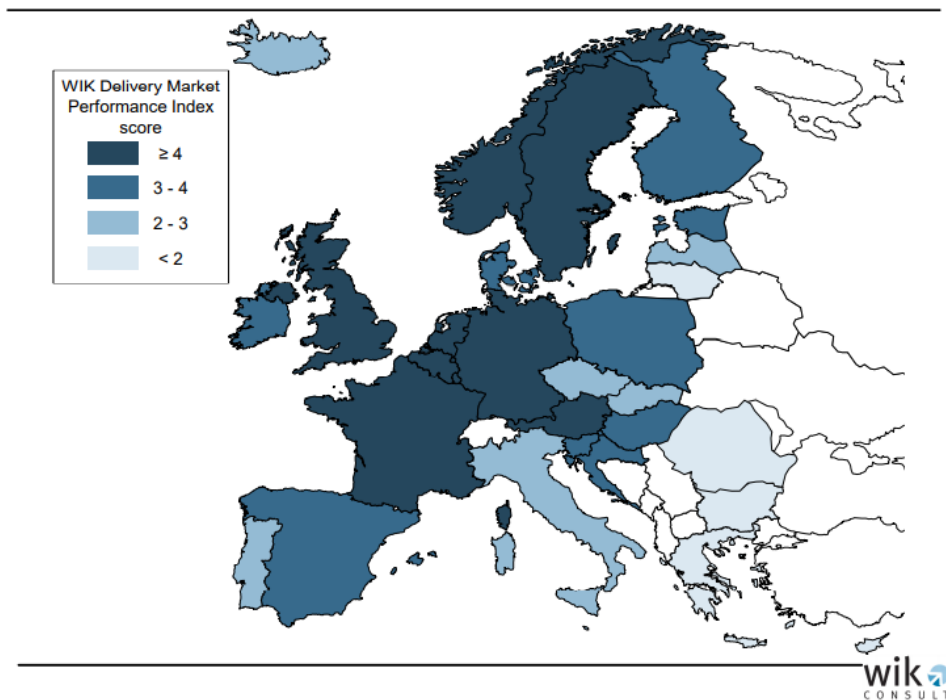
Digitalization differentiates users' needs and drives innovation in delivery – A flexible USO gives more value for money



- **People want flexibility and freedom of choice, and easy access to a postal network.**
- **USO flexibility: Mail recipients have their letters and parcels/packets delivered the way they like**
- **– combined with tailormade services to vulnerable groups with particular needs.**
- **Utilize USP's universal presence and expertise in logistics, digital solutions and delivery services to better serve local communities.**

E-commerce and parcel delivery – no need for tighter nor wider sector-specific regulation

Figure 100 WIK Delivery Performance Index: Total index score by country



Source: WIK report 2019 – Development of cross-border e-commerce (page 291)

Findings in the WIK report (February 2019):

- “Overall, parcel delivery markets in the EU are developing well” (page XIII).
- “The landscape for parcel delivery services is competitive” (page XVIII).
- “Given the progress made towards higher quality parcel delivery, further EU and Member State level action on prices, transparency and quality of service would not be appropriate at this stage.” (page 297).

Findings in the WIK report on User Needs (2021):

- “For the parcels market, we expect continuing competition that will lead to even greater variety of carriers and tariff schemes.” (page XXII).
- “... the parcel markets in most European countries are generally competitive ...” (page 42).

Postal services regulation

Does the Postal Services Directive provide the flexibility needed in a rapidly changing environment?

The definition of universal service in the Postal Directive was designed to fit the needs of the first 15 EU Member States in the mid-1990's when letter mail volumes were still growing and the Internet was in its infancy.

Today digitalization swallows letter mail.

Customer needs and behaviour is changing fast.

Postal operators must adjust and innovate to respond in a profitable way.

Political unwillingness to finance services which do not comply with customer needs.

Regional/national differences within the EU/EEA means there is no "one size fits all" USO .

✓ Should

Continue to ensure that everyone can physically send documents and packages to everyone else with reasonable service quality.

- Add value by providing specific solutions for different groups of users and communities (from non-digital to very digital).
- Allow flexible service standards (such as collection, delivery, and access requirements) to provide for financial sustainability and innovation

✓ Should not

Extend traditional postal regulation to the new delivery market / e-commerce services.

- No clear public policy justification for sector regulation in a highly competitive, innovative and growing market.
- Competition issues can and should be regulated by competition authorities.

