

Is the USO the right regulatory tool for the “Long Term”?

Towards a “cream free” EU postal & delivery market

The regulatory function of the USO is unclear in the “Long Term”

- In the past the USO delivered an essential communication service for building strong nation states.
- In the “Long Term” (already here in many countries)
 - The remaining communications functions of postal services will wither.
 - The future is about the delivery of physical items to businesses and households: balancing speed, cost and convenience in highly innovative ways.
 - The challenge is how to foster innovation, development; how to sustain competition.
- What is the use of the USO in the “Long Term”?

What is the USO good for?

- Intended:
 - To ensure a reasonable postal service level for all EU citizens.
 - Is this really so necessary when the market already delivers much much more than the USO in most markets?
- Unintended:
 - To maintain employment levels in specific postal job descriptions
 - To serve as a bargaining chip for access to “cream” and for state protection against “cream skimmers”
- The balance of the value of the Intended good versus the cost of the unintended consequences had shifted heavily to the costs.

The problem with Obligations

- There is no such thing as an obligation without compensation:
 - A right to have “Cream” and to be shielded from “Cream Skimmers”.
- As reserved activities shrink, governments feel obliged to shield postal operators (even while talking about “market liberalisation”); consequences:
 - poor quality regulations
 - weak regulators
 - VAT benefits
 - lax application of competition regulation.

Regulatory tools should focus on maintaining competition

- Instead of a USO, introduce the idea of all businesses and consumers having a right for choice between competing delivery services.
- Let the markets deliver services and innovate, but forcefully protect citizens against excessive network effects and market failures.
- A strong regulator with a clear mandate to maintain a vibrant market:
 - Focus on protecting consumers from being cornered by just one provider (access to delivery points and information).
 - Separate the last mile delivery in remote and difficult routes.
 - Enforce competition law.

Summary

- Delivering services by defining obligations is the wrong regulatory tool in the current state of the market.
- Focus on helping and correcting the market. This requires a powerful regulator with a strong mandate.
- Expect:
 - In the Short Term: a lot of heat
 - In the Long Term:
 - Superior service levels and better prices for citizens.
 - More jobs overall.