



Ministry of Transport

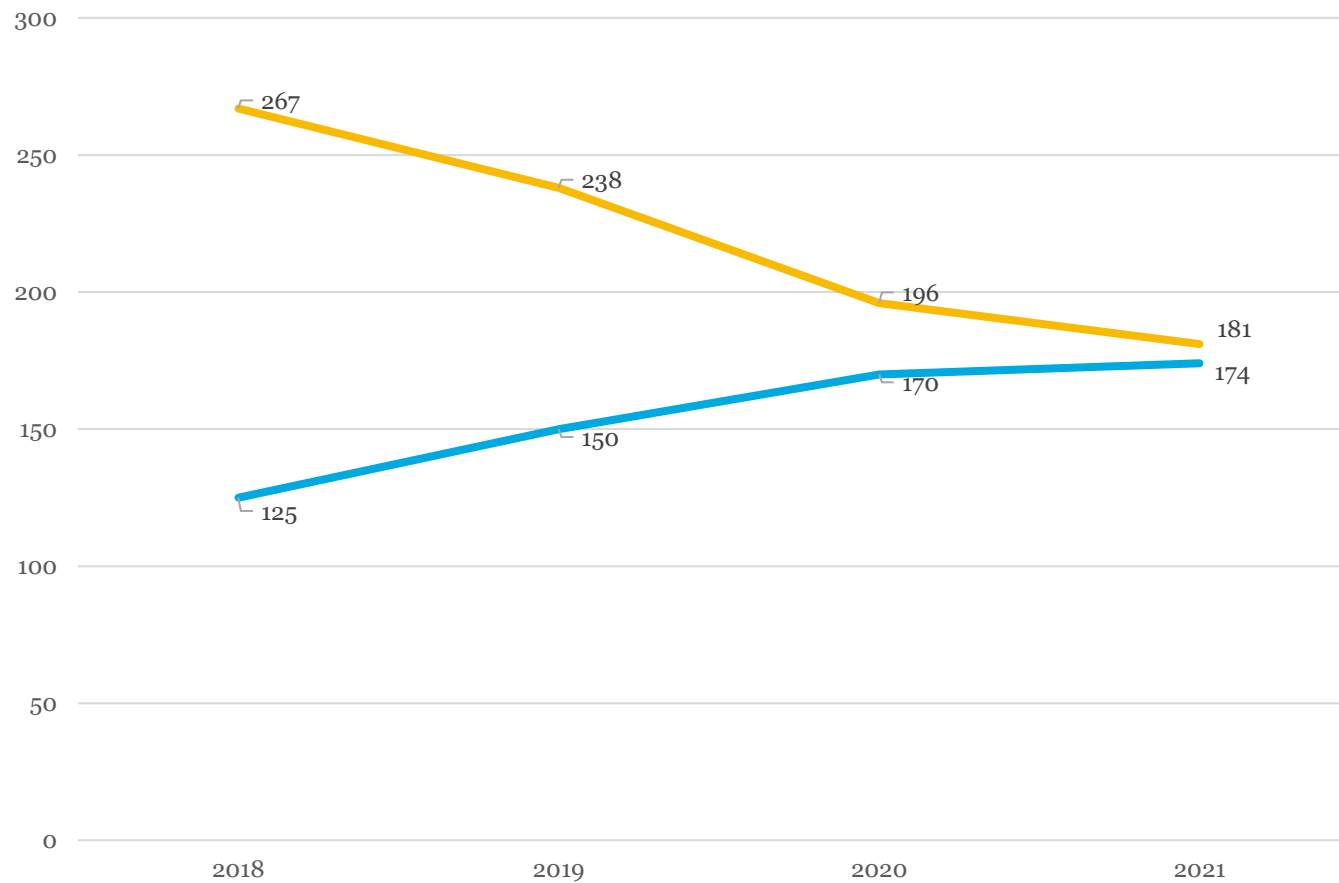
# Postal reform: Organization of the postal sector in Denmark from 1 January 2024

10th Annual Copenhagen Economics Postal & Delivery Conference 2024

# Why change the Postal Act?

- The changes to the act is based on an assesment of the development in the postal market:
- Significant decline in the number of letters and an increase in the number of parcels, (see next slide).
- Growing competition especially in the parcel market.
- Emerging competition in the letter market.
- A study from Dec 2022 showed that postal providers deliver postal items nationwide at uniform prices, not for legal reasons but for commercial reasons.
- These factors combined led to the conclusion that the Postal Act needed an update.
- This situation was discussed politically in the spring of 2023, the result of which led to an agreement in June the same year. The agreement is the basis of the new Postal Act.
- The change to the Postal Act came into effect on 1 January 2024.
- Now the designation of a single operator to operate a broad set of postal products is abolished.
- Instead it is left to the market to perform the postal service.

# Numbers of letters (yellow line) and parcels (blue line) in Denmark 2018-2021 (million pieces)



# Postal service for vulnerable users and service to remote areas

- In the end the state is responsible for the postal service according to international rules (Postal Services Directive and the Universal Postal Union -UPU rules).
- In three specific areas there still is a need to regulate:
  - Distribution of items for blind people,
  - Setting up a framework for postal service to small islands, and
  - International mail (letters and parcels in the UPU network).
- These three specific tasks are put up for tender.
  - When drafting the tender terms, reference is incorporated to ILO Convention no. 94 on labor clauses in public contracts.
- According to the Postal Act the Danish Minister for Transport has appointed PostNord Danmark as operator responsible for these three activities for a limited period of time until a tender has been carried through.

# What is the benefit for users, postal operators and the State?

- Through changes to the Postal Act:
  - Postal operators will operate by the same rules. The former designated operator is now free to compete.
  - Postal operators should still have a license to operate in the market, fulfilling certain requirements as to orderly delivery of postal items and the like.
  - Operators are however not bound by any legal requirement for example as to how many mail boxes should be available to the customers, placement of parcel lockers etc.
  - The State will have to pay less state aid to the sector.

# Addressing climate change and reducing carbon footprint

- These important issues are not addressed in the Postal Act. The reason is that these issues are subject to other laws and regulation.
- However, according to the political agreement of June 2023, a sustainability forum for postal operators will be set up on a voluntary basis to ensure attention to the requirement of e.g. the extended product responsibility and CRS reporting.

# The Postal Act provides for a "safety net"

- If the market forces do not deliver, the Minister for Transport can enforce these rules on the basis of the Postal Act:
  - the minister is authorized to *appoint* a postal operator to convey addressed items, against economic compensation.
  - the minister is also authorized to tender a specific task with the aim to enter into a contract with a postal operator for the conveyance of addressed items.
- These options could for example come into use if the market forces do not deliver postal service in certain geographical areas or market monitoring shows that the market forces do not fully meet the state's obligations under the Postal Services Directive and the rules in the UPU.

# Tasks of the National Regulatory Authority – NRA (the Danish Civil Aviation and Railway Authority)

- The NRA mainly focuses on monitoring the following:
- The market in regard to letter-services.
- That nation-wide postal providers offer postal services to the entire country.
- That nation-wide postal providers provide specific postal services at uniform price in all parts of the country.
- That the postal providers combined fulfill Denmark's international postal obligations.



# How does the NRA monitor the postal market?

- Through test letters surveys (1-2 annual quality measurements based on EU quality standards will be carried out in 2024).
- Through customer complaints.
- Through monitoring of the media.
- Through data provided by the postal providers.
- Through ongoing dialogue between NRA and the postal providers.

# Can any conclusions be drawn from the monitoring of the postal market in 2024 so far?

- The NRA has no indications that the postal providers does not provide postal services in accordance with Denmark's international obligations.
- The NRA has no indications that the postal market combined does not provide postal services to the entire country.
- The number of complaints received from users of postal services are at the same level as earlier years.
- The price of postal services has risen compared to earlier years but there are uniform prices throughout the country.