

## INSIGHTS

## TWO YEARS WITHOUT THE POSTAL USO IN DENMARK

How does it work, and what can we learn from it?

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**Two years after abolishing the universal service obligation (USO), Denmark delivers postal services commercially, complemented by a few targeted regulations. This note assesses the outcomes and lessons learned.**

So far, overall service quality remains high and nationwide coverage has been preserved in Denmark. However, letter prices have increased. At the same time, the letter market has consolidated to one player after PostNord's exit.

To address areas where commercial incentives alone may be insufficient, policymakers introduced three targeted measures. These include a publicly funded contract to secure free postal services for blind and visually impaired users, a dedicated fund combined with service obligations to support tailored solutions on small islands, and a shared, state-funded operational model between PostNord and DAO for international mail. Together, these measures aim to safeguard inclusion, territorial cohesion, and international connectivity without a broad USO.

The Danish case shows how a highly digitalised society can move away from a traditional USO while still safeguarding (at least, short-term) policy objectives. Three tentative lessons stand out.

1. **Digitalisation redefines the role of physical letters, but a physical delivery network to every household still matters.** As communication moves online, physical mail increasingly serves as a residual channel rather than a default one. In Denmark, letters now primarily reach the 5% of residents exempt from mandatory digital communication. Still, maintaining a physical delivery network remains important as a complement to digital channels.
2. **Targeted measures can replace a broad USO but only up to a point.** Licensing schemes and narrowly focused interventions can achieve universal service goals without a full USO. However, their success depends on market scale and competition. In a declining market, commercial provision tends to consolidate.
3. **Public tenders have limits in thin markets.** When few credible bidders exist, procurement is fragile and often needs to be complemented or replaced by other regulatory tools or direct funding.

## From USO to commercial provision

In January 2024, Denmark abolished the postal USO and moved to fully commercial provision of postal services. Regulation was narrowed to *three targeted measures* addressing specific market gaps. At the same time, a new *licensing framework* was introduced to secure nationwide availability and uniform pricing.

Under this framework, operators are licensed either as regular providers or as nationwide providers. Nationwide providers must offer at least one letter or one parcel product at uniform prices across Denmark. Prices are not regulated. Licensing has, therefore, replaced the USO as the main tool for ensuring nationwide coverage at uniform rates under commercial provision.

The reform followed more than a decade of deliberate digitalisation policy. Through a series of political decisions, Denmark actively shifted communication between public authorities, citizens, and businesses away from physical letters and towards secure digital channels.<sup>1</sup> Mandatory Digital Post was a central element of this strategy and led to a sharp and intended reduction in demand for traditional letter services.

Today, around 95 per cent of residents above the age of 15 are registered for the public digital mailbox, and only around 5 per cent are formally exempt.<sup>2</sup> Against this backdrop, the declining role of physical letters is not merely a market outcome but the result of an explicit policy choice. Denmark, therefore, provides a natural test case for postal markets where physical letters have become a residual service by design.

## Commercial provision delivers USO-level service, but with higher prices and fewer players

Denmark's deregulated letter market currently meets the former USO requirements. However, letter prices have increased. At the same time, the letter market has consolidated into a single player.

### From two to one letter operators

After the USO was abolished, letter delivery was initially provided by two nationwide operators: PostNord (the previous USO provider) and DAO. In the spring of 2025, PostNord announced its exit from the letter market, citing declining volumes and unsustainable costs.<sup>3</sup>

As of January 2026, DAO remains the only nationwide letter operator. DAO has stated that it will maintain full geographic coverage by integrating letter delivery with newspapers, magazines and parcels, thereby spreading fixed costs across products.<sup>4</sup>

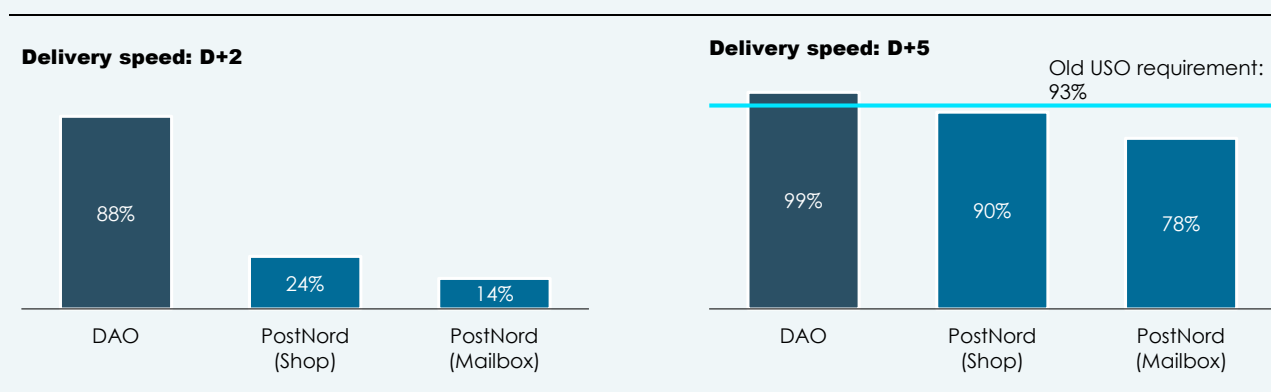
### Delivery speed and coverage remain high

Delivery speed and reliability now exceed former USO requirements. The USO required 93 per cent of letters to be delivered within five days (D+5). DAO delivers around 99 per cent of letters within D+5 and around 88 per cent within two days (D+2). Before exiting, PostNord delivered around 90 per cent of letters within D+5 and far fewer within D+2, when letters were sent from a commercial location, with slower performance for letters deposited in street mailboxes, see Figure 1.

**Figure 1**

### Commercial delivery speed for letters now meets or exceeds the former USO requirements

Share of letters delivered



Note: DAO delivery speed is for letters sent from a DAO shop, while PostNord is for letters deposited at a commercial location or at a mailbox respectively. The measured delivery speed is from May 2025.

Source: Copenhagen Economics based on Kvalitetmåling af brevområdet, maj 2025, [Link](#).

<sup>1</sup> See Digitaliseringsstyrelsen, Baggrund for Digital Post, [link](#)

<sup>2</sup> See Digitaliseringsstyrelsen, Tal og statistik for Digital Post, [link](#)

<sup>3</sup> PostNord press release, [link](#)

<sup>4</sup> TV2 news article dated 30-12-2025, [link](#)

Transit time performance is also geographically uniform. Across all five Danish regions, DAO delivers between 99 and 100 per cent of letters within five days, with limited regional variation.

Access to letter services has largely been preserved, but through a different infrastructure. Following the abolition of the USO, PostNord first reduced its street mailbox network by around 1,000 boxes and then removed the remaining 1,500 boxes when it left the letter market. DAO has since installed roughly 1,500 mailboxes nationwide, located inside DAO shops rather than on the street. While the form of access has changed, nationwide opportunities to deposit letters remain broadly comparable to the pre-reform situation.

### The price of the cheapest letter has gone up

Since the USO was abolished, the minimum price of sending a letter has increased. In 2023, PostNord offered a basic letter up to 50 grams at DKK 12 (EUR 1.6), but this product was discontinued in 2024. The lowest-priced option became a letter up to 100 grams, priced at DKK 25 (EUR 3.3). This effectively more than doubled the minimum cost of sending a letter for many customers, see Figure 2.

DAO entered the market in 2024 with a domestic letter service pricing a 100-gram letter at DKK 20 (EUR 2.7), plus an optional DKK 10 (EUR 1.3) surcharge for delivery to the recipient's mailbox. Although price

developments reflect changes in product design following the end of the USO, they also imply a general increase in uniform nationwide tariffs.

### Three targeted measures secure postal services where the market fails

Policymakers identified three areas where commercial provision alone might not meet societal needs or Denmark's international obligations:

- services for the blind
- service to sparsely-populated islands
- international mail

Each area is addressed through a specific regulatory instrument, originally planned to be procured through public tenders.

### Services for the blind were procured through a public tender

As a member of the Universal Postal Union (UPU), Denmark is required to provide free postal services for blind and visually impaired users. The state ran a public tender in autumn 2024, which DAO won with a bid reportedly around three times lower than PostNord's offer.<sup>5</sup> The contract covers an estimated 500,000–600,000 consignments per year, with annual public compensation of about DKK 13.7 million (EUR 1.8 million), implying an average public contribution of roughly DKK 20–30 (EUR 2.7–4.0) per item.<sup>6</sup>

### Sparsely-populated islands have received a dedicated fund to support tailored local solutions

Low volumes and high unit costs make it difficult to sustain purely commercial postal services on smaller, more remote Danish islands without fixed links. Relying exclusively on market-based solutions would therefore be unlikely to meet the requirements of the European Postal Services Directive (PSD), which seeks to ensure that even remote areas receive an adequate level of postal service.<sup>7</sup>

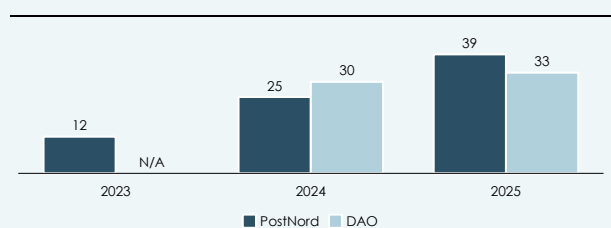
The initial plan to secure services to the small islands through public procurement was subsequently abandoned. This decision was likely driven by PostNord's announcement that it would exit the letter market, which in practice would have left DAO as the only potential bidder for letter services to small islands and thereby eliminated competitive tension in the tender process.<sup>8</sup>

Instead, policymakers established a dedicated fund to support tailored local solutions. Funding of around

**Figure 2**

### Letter prices have increased

Price of the lightest weight class, DKK



Note: PostNord's lightest weight class was 50 gram in 2023 and 100 gram in 2024 and 2025. DAO introduced the letter product in 2024, where the price includes the surcharge for delivery to the recipient's mailbox.

Source: Copenhagen Economics based on i) news article dated 23-04-2023, [link](#), ii) Danish Civil Aviation and Railway Authority, Redegørelse for 2023 og 2024 om det danske postmarkeds tilstand og udvikling, [link](#), iii) DAO's price calculate, [link](#), and iv) DR article dated 30-11-2023, [link](#)

<sup>5</sup> MediaWatch article dated 04-11-2024, [link](#).

<sup>6</sup> The contract is structured as a gross contract, under which compensation is paid per delivered blind shipment, see aktstykket 25, [link](#)

<sup>7</sup> The PSD does, in principle, allow certain geographically remote areas to be exempted from the standard delivery requirement.

<sup>8</sup> The decision to abandon the tender came two months after PostNord announced it would leave the letter business.

DKK 11 million (EUR 1.5 million) was allocated in late 2026. Funds are provided directly to island communities<sup>9</sup> rather than operators, allowing postal arrangements to be adapted to local conditions and needs.<sup>10</sup>

In parallel, licensed operators remain subject to nationwide service obligations that include island coverage. This means that every nationwide operator has a responsibility to ensure delivery to all parts of Denmark, including the small islands. However, operators can use each other as subcontractors.

### **International letters have temporarily been shared between DAO and PostNord**

As a member of the Universal Postal Union (UPU), Denmark is required to ensure the provision of international letter services and maintain international postal connectivity. This obligation applies regardless of domestic market structure and implies that arrangements must be in place to support the exchange of international mail, including access to international sorting and transport infrastructure.

The initial plan to secure international letter services through a public procurement process was abandoned. One of the main reasons is that international mail is challenging to provide as it requires access to specialised airport infrastructure as well as technical and operational expertise for cross-border handling. At present, PostNord is the only operator in Denmark that possesses this capability.

Instead, a shared operational model between PostNord and DAO was introduced from 2026.<sup>11</sup> Under this arrangement, PostNord continues to operate international terminals and airport sorting functions, leveraging its existing infrastructure and international networks. DAO is responsible for the first and last mile collection and delivery of outbound and inbound international letters within Denmark.

The model is supported by state funding of approximately DKK 110 million at 2025 prices, reflecting the fixed costs associated with maintaining international connectivity. At the same time, the arrangement has enabled a reduction in the standard price of an international letter, from DKK 50 (EUR 6.7) to DKK 46 (EUR 6.2).

### **What can we learn from the Danish case?**

Two years after the abolition of the USO, we can make an initial assessment of how commercial provision and

targeted regulation perform in practice. Three tentative lessons stand out.

#### **Lesson 1: Digitalisation redefines the role of physical letters, but a physical delivery network to every household still matters**

As communication moves online, physical mail increasingly serves as a residual channel rather than a default one. In Denmark, letters now primarily reach the 5% of residents exempt from mandatory digital communication. On its own, such volume may not provide a sufficient scale to ensure a physical delivery network to every household on commercial terms. Still, maintaining a physical delivery network remains important as a complement to digital channels, ensuring resilience, inclusion, and continuity.

#### **Lesson 2: Targeted measures can replace a broad USO but only up to a point**

Denmark, a highly digital society, illustrates how narrowly defined regulatory instruments can, in some settings, complement or partially replace a general USO. Licensing requirements ensure nationwide availability and uniform pricing, while targeted tools such as tenders, dedicated funds, and tailored arrangements address specific gaps in service provision.

At the same time, commercial provision only performs well where there is a clear business case and sufficient scale. In Denmark, DAO currently delivers high-quality nationwide letter services. However, the end of the USO has also been associated with market consolidation, product restructuring, and higher minimum letter prices.

This experience highlights the limits of relying on market incentives. Even where service quality is maintained, distributional and affordability issues can arise, and coverage may become dependent on a small number of operators. Whether such a model is viable elsewhere depends on geography, population density, demand patterns, institutional capacity, the number of credible operators and, not least, societal preferences.

#### **Lesson 3: Public tenders have limits in thin markets**

Denmark's case also highlights the limits of procurement in residual postal markets. Of the three planned tenders, only the contract for delivering letters and packages to the blind and visually impaired was implemented as intended. Where competitive tension is weak or disappears, tenders become fragile and may need to be supplemented or replaced by other tools,

<sup>9</sup> The fund covers 14 small islands, all with less than 1,000 inhabitants

<sup>10</sup> The small island-fund can, for example, be used to finance local postal infrastructure such as establishing a post office, covering wage costs for local deliverers, purchasing electric cargo bikes,

setting up collection points at harbours, and investing in shared parcel facilities and shared letterboxes.

<sup>11</sup> Press release from the Ministry of Transportation, [link](#)

such as dedicated funds, direct designation, access obligations, or redesigned universal service arrangements.

These lessons reflect an ongoing experiment rather than a final verdict. Market structures, demand and business models will continue to evolve, which will alter societal expectations, market outcomes and policy implications over time.

# Hard facts. Clear stories.



**Mindaugas Cerpickis, Director**

Mindaugas Cerpickis is a Director at our Copenhagen office. Since 2022, Mindaugas has been leading our Postal & Delivery service. Mindaugas was the key CE expert in multiple projects involving USO transformation strategies and modelling. Mindaugas is a published author of multiple articles in postal economics  
Email: mic@copenhageneconomics.com



**Jacob Østermann, Lead Economist**

Jacob Østermann is an economist specialising in postal economics and regulation, helping clients navigate issues related to the Universal Service Obligation (USO), market design, and regulatory compliance. He supports postal operators, regulators, and stakeholders by applying rigorous economic analysis.  
Email: jao@copenhageneconomics.com

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