

Possibilities of Ensuring the Development of the Universal Postal Service in Conjunction with Its Efficiency

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ABSTRACT

The increase in digital communication alternatives and the continuous decrease in the need for paper correspondence raises the question of which services should fall within the scope of the universal postal service?

As digitization continues to reduce demand for traditional letter mail, postal operators around the world are seeking to increase operational efficiency, increase automation and promote the sustainable value of letter mail.

KEYWORDS: universal postal service, services, efficiency.

1. Introduction

As the expansion of faster, broadband networks has brought more people online, data usage around the globe has grown exponentially. Mobile devices are also fast becoming the preferred way for consumers to access digital content. But there are also regional disparities: while four out of five Europeans are now online, less than a quarter of Africans use the internet.

"The postal, parcel and logistics services of the future will be diametrically opposed to today's universal services, and long-term planning is required to realize a 2030 vision," argues Ian Streule Partner at Analysis Mason.

The physical transport of letters by air, land and sea has long been the main activity of the postal industry, but digitization has had a dramatic impact on postal volumes since 2008, the volume of mail has fallen by more than a quarter at operator level posts from countries with advanced economies and more than half at the level of a few postal operators. Moreover, the historically strong positive relationship between mailing volumes and economic growth has been weakened and per capita mailings have fallen sharply as the population steadily increases.

Digitization remains the key driver of the decline in letter mail volume across the industry, although the growth of small packages in e-commerce has helped offset the decline in letter mail.

Denmark is the first developed country to introduce digital mailboxes (eBooks) in 2001.

The population of Denmark is required by law to use electronic means of communication, eBooks, when communicating with agencies and other public institutions, unless there is a special reason that generates a reduction in the ability to use electronic tools. The law entered into force in 2013 for businesses and in 2014 for citizens. As a result, Denmark lost 79% of its total mail volume.

A similar trend is registered in the Netherlands.

In Spain, by Law 39/2015, the obligation to communicate electronically with the public administration was introduced in the case of legal entities (electronic notifications).

In 2018, the average decrease in postal volume was accelerated reaching 5.9%, compared to 5.1% in 2017, motivated by the decision of government institutions to follow the example of companies to opt for digital channels for issuing invoices, statements and receipts. Most postal operators delivered less mail than the previous year, with rates of decline ranging from 0.7% to 25.3%.

A recent Analysis Mason article calls for the development of a long-term vision for the universal postal service,¹ in which, for example, for letters falling within the scope of the universal postal service, to switch from the daily delivery service, which generates a high cost for the postal operator, to a less frequent service, but preserving the convenience of home delivery.

And for parcels falling within the scope of the universal postal service the emphasis should be on a service where fast and regular delivery is concentrated to centralized but convenient parcel delivery points, thus combining speed with real-time tracking, all keeping pace with the rapid development of technology.

It is worth noting that Europe is the region with the fastest aging population in the world, apart from Japan, fact that points to a new generation of postal service beneficiaries, concentrated in urban areas, which is generally more familiar with digital technology.

The growth of digital communications and electronic commerce generates the need to move to a new stage in the evolution of the universal postal service. Technology has introduced many alternatives to printed mail, including emails, texts, tweets, and electronic bill payment.

While these alternatives have changed the need for paper mail, they have not eliminated it, as there are those who cannot or do not want to use the new technology. Additionally, as the need for mail declines overall, the demand for parcel services and e-commerce services is increasing.

Some people, especially those living in rural and remote areas, depend on services within the scope of the universal postal service, such as the parcel delivery service for essential goods such as medicine and food.

As the need for mail services changes, the natural question arises, namely, which services should be included in the scope of the universal postal service by policy makers and which meet the needs of citizens (both senders and recipients)?

Policymakers, regulators, and industry players are beginning to address these questions by conducting studies targeting user needs, as well as simulation scenario analysis and policy development.

2. The debate on the services to be provided by the universal post service

The debate behind this question has intensified globally as declining mail volumes and revenues have made it difficult to finance universal postal service obligations.

¹Your vision for the postal sector by 2030 (jackhamande.com), accessed at [23.10.2022](#).

As the provision of services in the scope of the universal postal service continues to become expensive, they are carefully analysed, the question arises whether customers still need certain services included in the scope of the universal postal service, so that the cost of supporting their continued supply can be justified. An example, in this sense, could be the suppression of mail delivery on Saturdays, as part of the obligation arising from the provision of the universal postal service. These changes, however, are not well received by customers who still depend heavily on mail.

The need to regulate the provision of services within the scope of the universal postal service is generated by the concern that, in the absence of such regulation, postal service providers may choose to reduce service or increase prices in high-cost areas, thus leaving the residents of those areas without the necessary facilities.

Only basic postal services (universal postal service) are likely to receive funding from the state, as the state is obliged to provide them under conditions that are not regulated by the market for postal services. For this reason, it is important to define these services and know their cost so that funding can be secured for them.

An optimal universal postal service is essential to the economic success and communication needs of a modern society. Universal service postal services must be comprehensive, high quality and reasonably priced for all sectors of the economy and society and in all regions.

In the context, in which the technological environment and customer requirements in the field of postal and payment services have changed significantly as a result of digitization since the assessment of the law on postal services by the Federal Council in January 2017, the Swiss Federal Office of Communications analysed the developments current and relevant trends in the field of the universal postal service. Particular attention has been paid to the future financial impact of the costs of providing the universal postal service.

In its final report on the universal postal service of the future, which it presented in Bern on 24 February 2022, the Commission of Experts shows that the universal postal service must be modernized because by 2030, if today's offer is not updated even for the population, even for companies, it will no longer meet their needs, its financing being at stake, which is why the competent authorities must quickly make a decision regarding the direction of the further development of basic services. This represents the conclusion reached relative to the future of the universal postal service in Switzerland.

The universal postal service must be oriented towards the basic needs of the population and companies that are not satisfied by the postal market.

In its report, the working group concluded that the accessibility of postal services and payment transactions should be measured and presented in a more differentiated manner, i.e. accessibility should no longer be measured at the national level, but at the canton/region level. In addition, it is recommended to introduce a new criterion regarding the accessibility of services in cities and conurbations.

The task force also considered the needs of cities and conurbations. For the mapping of living habits in urban areas, it is recommended to guarantee one access point for every 15,000 inhabitants or workers.

The cantonal approach and the introduction of a new criterion for urban areas are methodologically more elaborate than the current regulation. However, these recommendations reflect Swiss Post's desire to provide services wherever its customers are located, both in the country and in conurbations and cities.

The Commission also considers that a universal postal service mandate is necessary for cash payment services as long as there is no digital substitute for physical means of payment.

For cash payment services, a sufficient number of physical access points is still required. However, access needs to be defined in a more technology-neutral way to take into account declining usage and minimize costs for service provision.

The Commission therefore recommends uncoupling the universal postal service in the area of payment transactions. The granting of a new mandate for payment operations must be done by public tender, and the additional costs incurred in providing the services must be compensated.

For Swiss Post, it is important that services within the scope of the universal postal service remain accessible to sections of the population with little affinity for new technologies. Swiss Post continues to invest in physical access points within the postal network of the future.

Swiss Post is willing to support the working group's recommendations and test their implementation in practice. In order to avoid the universal postal service being stuck in the status quo, however, it is essential that the legal requirements are periodically evaluated and brought into line with reality.

Technological advances in the fields of artificial intelligence and predictive analytics help postal companies to better understand and anticipate the needs and specificities of different users. Automation of logistics and distribution makes it possible to serve rural areas in a more specific and economical way.

Post offices are less frequented. At the same time, new technologies are emerging that make it possible to guarantee access to services also mobile and without personal on-site services.

The effects of new forms of universal postal service, especially in the digital domain, are often accompanied by uncertainties. This is why the Commission recommends including in the configuration of the new universal postal service the possibility of conducting pilot tests in the regions. These trials would allow new and innovative forms to be tested in a region or canton, before introducing them on a national scale.

The postal operator responsible for the provision of the universal postal service must benefit from greater flexibility in the provision of services in order to be able to react appropriately to the evolution and dynamism of demand.

With this report, the Federal Council fulfils postulate 19.3532 "Longer-term further development of access to basic postal services" of the Commission for Transport and Telecommunications of the National Council (KVF-N) of 14 May 2019. The postulate asks the Federal Council to require Swiss Post to plan its access to basic postal services in the long term.

The published recommendations mean far-reaching changes, along with associated costs, to the universal postal service. However, Swiss Post supports the consensus reached within the working group.

For Swiss Post and its employees, it is essential that the political directives on the future universal postal service are given in time.

Specifically, the Commission recommends that the Federal Council take a principled decision on the content of the future universal postal service and then launch the legislative process. Thus, parliamentary decisions could be taken in 2025 or 2026, giving Swiss Post enough time to implement the necessary changes scrupulously and in a socially acceptable manner.

The Commission also recommends that the reorganization should leave Swiss Post a sufficient entrepreneurial margin. A goal that can be achieved in particular through the recommendation on technological neutrality. Even after 2030, technological, economic and social changes are expected that can only be partially assessed today.

Other regions of the world have a different starting point. In Latin America², for example postal markets are often deregulated and it is not clear whether the postal services provided there can be considered "universal".

For example, daily home delivery for everyone remains the exception. On the other hand, most Latin American countries benefit from low labor costs. As a result, the degree of automation in sorting is considerably lower than in most industrialized countries where labor costs are high relative to the cost of capital.³

In addition, postal operators in Latin American countries can realize large-scale savings between the different stages of the postal value chain (collection, sorting and delivery). These differences require different universal postal service regulations in Latin America on the one hand and in Europe on the other. In Europe, postal networks are fully developed.

In France, the considerable acceleration of metropolization and the implementation of new technologies lead to a major change in the positioning of citizens in the territories.

The development of digital uses has increased the awareness of the use of the digital space, 42% of the French have a Facebook account, 74 million mobile phones are active and more than 30% have a Twitter account.

The number of internet users worldwide increased to 3.9 billion in 2018, representing 51.2% of the world's population.

Today, in France, almost 21% of citizens do not have a computer and do not use the Internet, for technical, cultural, age-related or financial reasons.

If digital contacts have developed at the expense of human contacts, this only gives more value to the postal network in digital-physical continuity, directly at home or at any point of the

²Helmut, M., Dietl Urs Trinkner, 2008, *Developing Universal Postal Services in Latin America – an Economic Perspective*, in *Swiss Economics Working Paper 0012*, [0012DietlTrinkner.pdf \(swiss-economics.ch\)](#), accessed at 23.10.2022.

³Helmut M. Dietl Urs Trinkner, 2008, *Developing Universal Postal Services in Latin America – an Economic Perspective*, in *Swiss Economics Working Paper 0012*, [0012DietlTrinkner.pdf \(swiss-economics.ch\)](#), accessed at 23.10.2022.

network, especially from the perspective of the citizen, the most distant, the most isolated, the most fragile and the oldest.

The report titled "Changes in the universal postal service - the political issue of the proximity and equality of the French before the public service" of April 14, 2021, by Jean Launay, closely analyses the changes affecting the universal postal service and questions its balance. Its execution framework and its various components are discussed. Possible developments of the universal postal service are analysed without depriving French citizens and businesses of a dense postal presence throughout France.

The mission entrusted to Mr. Jean Launay⁴ aims to reform the universal postal service, by redefining both the offer and the economic balance of this public service mission.

Le Groupe La Poste holds strong positions in its various markets, subject to competition since the full opening of the postal market in 2011. In the last decade, the postal industry has faced a complete reversal of its historical model, with the drop in mail volumes by 39% between 2010 and 2020 generating the need to diversify the services offered beyond the traditional ones.

The universal postal service includes the collection and distribution six days a week, throughout the national territory, of postal items up to 2 kg, postal parcels up to 20 kg as well as registered and declared value shipments.

France opted for an extended universal postal service that contributes to social cohesion and the balanced development of the territory. The implementation of the universal postal service is carried out in accordance with the principles of continuity, adaptability, the search for adequate economic and social efficiency as well as the high quality of the service.

The study reveals that, despite the best efforts, in the absence of a reform of the universal postal service, the annual deficit generated by ensuring its provision in the current format, estimated until 2025, would be approximately 0.9 billion euros.

The erosion of the profitability of the universal postal service began with the start of the decline in mail volumes in 2008. Since then, half a billion in turnover has disappeared every year. La Poste launched vigorous plans in 2009 to slow this erosion, but the universal postal service became deficient in 2018.

However, the pandemic has reduced 1 billion euros in turnover in 2020, in addition to half a billion in annual losses that are impossible to recover.

The study shows that the structural deterioration of the universal postal service account makes it necessary to design a permanent system of adequate compensation.

The other major infrastructure networks in France are compensated, often euro for euro, for the public service mission part of their activity: energy (9 billion/year), railway (4 billion/year without mentioning the debt burden), audio-visual (4 billion/year).

At the same time, this evolution explains the fact that the postman has a social role that goes beyond the simple delivery of items that fall within the scope of the universal postal service. The presence and availability of the postal factor has a social value. In fact, postmen participate in

⁴Jean Launay, J, Avril 2021, *Les mutations du service universel postal - enjeu politique de la proximité et de l'égalité des Français devant le service public*, in *Rapport final mission*, accessed at 24.10.2022.

La Poste's regional planning mission. This societal value comes with an operating cost, which makes the organization more complex and hinders the ability to accommodate fixed network costs.

Repositioning the offer in front of the new expectations of the customers is essential.

In the Final Mission Report, drawn up by Jean Launay in April 2021⁵ it is revealed that the evolution of the universal postal service must be included in a clear framework, highlighting the availability of the postal factor in all territories, six days a week, in fulfilling their mission to offer customers the services they are entitled to.

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The network of postal factors must be strengthened as a human infrastructure capable of providing public services and commercial services to the population. These reforms need to be supported by a robust and sustainable framework to offset the structural deficit.

La Poste has developed and discussed with the competent state authorities, several scenarios for the development of a sustainable universal postal service model for the future. All scenarios present a clear deficit, from a financial point of view, all the more pronounced when no change in the universal postal service is foreseen. For example, the scenario simulating the impact of a hypothetical immobile position of La Poste in a strongly attritional market would lead to deficits of minus 2.4 billion euros in 2025 and 3.6 billion euros in 2030, deficits higher than those of all the expected scenarios.

The current mail processing network architecture was designed in 2008, when D+1 letters accounted for 30% of mail volume.

This network was then adapted as much as possible to the decrease in volumes by reducing the workforce from 151,600 employees to 97,400, resulting in a decrease of 36%, distribution rounds reduced from 63,300 to 45,400 (28%, decrease percentage), reducing the number of sorting centers from 87 to 26 (70%), abolishing the postal TGV (postal train) and reducing the number of night air connections.

The current express mail offering with a quality of service target of 85% D+1 is a constraint to continue adjusting network costs to the inevitable decline in mail volumes.

It is necessary to maintain a large network throughout the territory, of sorting centres, an air network of at least four planes, a fast road network with low occupancy, a very early afternoon collection of the 125,000 street mailboxes.

In the intangible context of the availability of the postal factor six days out of seven, limits the possibility of adjusting the distribution rounds to the volumes to be distributed, while this process accounts for half of the total mail processing costs.

Costs directly related to distribution in D+1 refer to road or air transport and sorting mail in sorting centers. They are almost invariable, not being inextricably linked to volume and are estimated today at 110 million euros.

New forms of D+1 can be offered as part of a reconfigured universal postal service offer, such as a hybrid way of being able to send an email in digital format on Laposte.fr, which will be rematerialized overnight by La Poste, and delivered the next day by the postal factor, which can be implemented without affecting current legislation, except through limited regulatory changes.

⁵Jean Launay, J, Avril 2021, *Les mutations du service universel postal - enjeu politique de la proximité et de l'égalité des Français devant le service public*, in *Rapport final mission*, accessed at 24.10.2022.

For individuals, the vast majority of needs would be satisfied by a main 2-tier offering (D+2 and D+3), enriched with optional value services (eg monitoring). The coexistence of these two offers would respond to the needs of speed (the D+2 offer) and better accessibility (the D+3 offer). This range would be supplemented with a D+1 shipping solution to cover specific and very marginal needs in terms of volume.

For companies, a 3-tier offering (D+3 and D+4) would satisfy the vast majority of expectations and needs.

With such a transformation of the universal postal service offer, La Poste could save costs directly related to D+1, but could only partially adjust its processing and distribution network.

The deficit related to the provision of the universal postal service would amount to 800 million euros in 2025 and to 1.4 billion euros in 2030, very likely difficult for La Poste to bear.

La Poste proposed to the French state a more comprehensive scheme also consisting of repositioning the D+2 offer and creating a D+3 offer. In this case, using the D+3 offer would reduce the urgency requirement. La Poste could achieve economies of scale in distribution despite falling volumes. This new model would be based on a set of commitments that La Poste intends to make, as follows:

- the postal factor would be available six days per for any specific postal service
- the postman would deliver current and urgent mail and parcels six days out of seven
- economic transports (D+3, D+4), ensured in compliance with the deadlines presented to customers

Thus, it will allow the fulfilment of three major objectives:

- meeting the expectations expressed by customers with a suitable universal postal service offer

- optimization of the economic result of the universal postal service thanks to the organizational methods possible through this adaptation of the offer. A hybrid form of D+1 would benefit from particularly strong accessibility. The low volumes expected from D+1 in its physical form make optimization possible within La Poste. Collection and transport could be entrusted to Chronopost, which has a network adapted to delivery in D+1, with delivery to each recipient managed by postmen. Most of the current D+1 air network could thus be shared with that of the subsidiary

- to confirm distribution six days a week throughout the territory. Almost 32,000 postal factors currently deliver mail on Saturdays. Basically, postal factors will continue to pass in front of all houses, but they would only stop there when an urgent or scheduled operation needs to be carried out

Maintaining a mail and parcel delivery six days a week is imperative.

Compensation of La Poste by the French state as happens for public energy, rail and audiovisual services is also expected in the future, despite the fact that a cumulative deficit of between 4 and 5 billion euros is estimated by 2025.

Despite this fact, it is the most efficient from an economic point of view to also preserve the social pact between the state and La Poste. The stabilization of this new model needs to

materialize during the preparatory work for the future Price Cap and the next company contract 2023-2028.

From the analysis of Swiss Post (Switzerland) and Le Groupe La Poste (France), it was found that these postal operators (providers of the universal postal service) have registered decreases in the volumes of correspondence, which determined the reorientation towards other services that complete the range of services that make up the scope of the universal postal service, through the orientation towards digitization, marching further towards the increase of digitization which will increasingly replace the possibilities and the means of analogical transmission.

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However, services within the scope of the universal postal service must continue to be provided to also reach vulnerable groups (persons with reduced mobility and physical and mental disabilities) and thus guarantee social solidarity and cohesion.

As it is estimated, until the year 2030 letters will still be sent, but in a much smaller quantity, and the population and companies will increasingly use digital channels, so that the reduction in the number of deliveries per week for the mail will have a large weight among the postal subunits that will continue to ensure distribution throughout the territory, in all inhabited areas, throughout the year, at home or at the headquarters indicated in the address, at reasonable prices, regardless of distance.

The architecture of the mail processing network in Le Groupe La Poste (France) was designed in 2008, as it appears from the study and report relative to this postal operator, when mail was distributed in D+1 and represented 30% of the mailing volumes postal. Later, the network was adapted as much as possible to the decrease in volumes, simultaneously with the reduction of the workforce, of the processing and sorting centres, as well as with the reduction of the number of air routes, an organizational process that allowed the efficiency of the costs borne by the postal operator for the correspondence service.

We can say without a doubt that, in order for the national postal operators designated as providers of the universal postal service, to be able to support the provision of this service in the future, it is essential to adapt the current structure of the postal network as a typology (form of organization) in order to meet the requirements of processing/sorting and transport so as not to register high costs determined also by the continuous decrease in mail volumes, including maintaining the number of distributions of three days a week in the small urban as well as in the rural environment, but at the same time to also fall within the requirements governing the provision of the universal postal service.

On the other hand, the parcel service both at the level of the Universal Postal Union and at the level of the European Union, registered an increase in the volumes of parcels in close correlation with the development of the e-commerce service, and this assumes that the distribution will continue to be ensured for at least five days a week in all inhabited areas throughout the year, at home or at the office indicated in the address, at prices independent of distance, with the possibility, taking into account the flexibility of jobs, to consider increasing the distribution frequency to 6 days per week.

Overall, the volume of the parcel industry has almost doubled since 2008, growing much faster than economic growth. However, growth in the number of parcels delivered by postal operators lags behind that of online retail, which has quadrupled in size over the period.

Part of the gap is due to shipments generated by e-commerce, classified as small packages and registered as letter post (correspondence) shipments. But a key factor is competition: delivery firms are competing intensely to offer faster, cheaper and simpler solutions to consumers and retailers.

Postal operators remain an essential component of the e-commerce value chain delivering more business-to-consumer parcels than ever before. Parcel volume increased by an average of 9.1% in 2018, with around a third of postal operators recording volume growth of more than 10% year-on-year.

Taking advantage of vast physical presence and dense network, all postal operators are competing to become available delivery partners by teaming up with integrators, online retailers and start-ups to further support their e-commerce volumes.

On average, parcel revenue growth accelerated to 12.7% in 2018 as most postal operators saw revenue increases. Higher business-to-consumer volumes were typically reported as a key driver of growth, while one-off events, such as stock purchases, they boosted revenue for others.

Meanwhile, the battle for market share continued as global integrators, regional distribution firms, online retailers and start-ups all jockeyed for stronger positions. As price and cost pressures persisted, operating margins fell to 4.7%, down from 6.5% in 2017.

By targeting the areas of communications and payment traffic for parcel services, digital offers replace current physical offers, needing implementation of digital solutions which are not restrictive, but simple and accessible to all, which thus respond to the needs of different target groups and their capacities, without neglecting the minimum physical offer that remains recommended in all areas for population groups that do not have access to the digital world.

Due to the uniform requirements at national level, the maintenance of the universal postal service in the field of parcels will allow the peripheral regions to retain their attractiveness as economic and residential areas.

The increase in parcel volumes ensures the maintenance of the logistic connection for the online distribution of e-commerce products, and the network of subunits and access points must remain in a modernized form and serve as a platform to support the use of digital technologies.

As the analysis revealed, not all national postal operators designated to provide universal service have a significant share of the parcel post and small package market, nor are they in a dominant position in mail volumes, postal services that already fall within the scope of the universal postal service, which is why more attention must be paid to good practices relative to services within the scope of the universal postal service that can also be aggregated by these postal operators.

The national mail service, due to digitization and technical progress, as also concluded by other postal operators in Europe in their annual reports, was no longer actively used by part of the population, businesses and authorities, and the evolution of the market under the impulse of digital

technology will result in a continuous decrease in the volumes of correspondence, a fact for which in the future the universal postal service, in its current configuration, will no longer be able to cover and sustain its costs, not even until the year 2030.

Thus, as also concluded in other analyses carried out by other postal operators, it is estimated that the performance of the universal postal service in terms of postal mail services will deteriorate until 2030, fact for which the universal postal service should be rethought in such a way as to guarantee an offer that covers the entire territory and is adapted to a digital society.

Taking into account the expansion of the electronic e-commerce service, this trend will result in the strong growth of the parcel sector, and new forms of storage and delivery, but also additional services such as tracking and forwarding shipments will gain in importance, and home distribution will remain important in the future.

Postal services must capitalize on technological advances, in particular new information and communication technologies, to continue to expand and facilitate access to services, strengthening the coverage of the universal postal service throughout the unique postal territory served by the universal postal network.

This trend towards the modernization of postal services should not affect the social and cultural role played by postal services in the daily lives of people and communities.

We expect a paradigm shift for the postal sector, but change takes time and effort, so preparations should be started now to meet the requirements for a longer perspective and not just for the next two/three years.

3. Conclusions

As guarantors of the provision of the universal postal service, governments will need to define reform policies that enable the adoption of the necessary means to promote the transformation of postal structures. The changing needs and developments of users in the postal sector impact the sustainability of the universal postal service and challenge its role in society.

Designated postal operators, in turn, will need to apply modern management policies that enable them to participate properly in an increasingly competitive postal market.

Postal networks are an irreplaceable resource and essential basic infrastructure for supporting social and economic well-being around the world.

The universal postal service ensures the provision of a basic service to all citizens, and is seen as an instrument of inclusion, of ensuring social and territorial cohesion, but considering the fundamental changes taking place in the national and international postal markets, in society in general, the relevant aspects of it may require re-evaluation.

In light of these developments, the universal postal service could be redesigned, for example, starting from the concept of vulnerable users (e.g. people living in remote areas or people with disabilities), which would allow more accurate and efficient ways of to protect their interests and needs.

In order to be able to ensure a sustainable universal postal service, it is necessary to define its role in the light of the changing needs of users, which is why flexibility must be offered to states in establishing the services to be included in the scope of the universal postal service.

Furthermore, different states of the world experience these developments and challenges at different rates. Some countries have experienced a steep decline in letter volume and extensive use of e-government, while others have had a more stable growth in letter mail.

This transformation is not a negation of the traditional universal postal service, but rather an option for the growth of the postal sector, building on its past achievements.

Before defining a new universal postal service, the decision-makers must determine what concrete objectives they want to achieve through the new universal postal service, only then, after the objectives are clear, can they focus on those services that need to be included in the scope the universal postal service to fulfil these objectives.

The choice of policy objectives can have a substantial impact on requirements. An important step in improving the relative financial stability of the universal postal service is the identification of those areas where the costs generated by the provision of the services included in the scope of the universal postal service can be eliminated from the postal network without affecting the quality of the service.

A comprehensive analysis of the obligations related to the provision of the universal postal service reveals that there are some areas where the flexibility of some requirements would be welcome, the current universal postal service obligations do not always provide clear and specific requirements, so it is necessary to establish by the decision-makers who can operate changes, clear and specific requirements.

The universal postal service is not alone in the challenge of funding its obligations in the face of declining letter volumes. The proposed changes must be acceptable, so that they generate changes that materialize.

The decline in letter volumes, sometimes in combination with demographic changes as well as policy measures promoting the use of electronic means of communication as an alternative to written documents or the removal of legal constraints limiting this possibility, impacts on the scope and profitability of the provision of the universal postal service, as it can leads to an increase in its cost. This affects the sustainability of the universal postal service.

The introduction of digital postal infrastructure, which provides the ability to deliver secure electronic communications, has acted as a trigger for the accelerated erosion of traditional postal services.

The main objectives of a new postal regulatory framework will need to reflect current trends and developments in the postal services market.

A new regulatory framework should facilitate or at least leave room for the introduction of innovative solutions and the provision of services with low initial costs.

From the perspective of a well-functioning market, a universal postal service should ideally focus on essential elements of postal service provision that would not be offered under normal conditions of competition and for which there are no viable alternatives both from the point of view of technically as well as economically.

It is therefore important that a new regulatory framework gives Member States sufficient flexibility to find solutions appropriate to their respective national circumstances. This may include, for example, taking specific measures to ensure the interests of certain groups of users, instead of imposing a general universal service obligation on one or more postal operators.

Since the provision of the universal postal service is an obligation that must be guaranteed by the state, the latter will also be responsible for guaranteeing its sustainable financing. Therefore, funding needs should be based on the total cost of universal service obligations imposed by the state on the designated operator.

Different economic, social, technological factors impact on the relevance of the universal postal service, and a new definition of the universal postal service will have to find the right balance between specificity and flexibility.

The postal sector is far from disappearing, but it is undergoing a major transformation, and it is vital that the legislation governing the designated postal operator defines the postal services included in the scope of the universal postal service and, where appropriate, the scope of the area of reserved services which contributes to the financing of the cost of the universal postal service so as to give it some operational flexibility or sufficient leeway to enable it to compete with operators on the postal market under fair competition conditions.

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