



Position Paper

EMOTA Position on the ERGP Discussion paper on the implementation of Universal Service in the postal sector and the effects of recent changes in some countries on the scope of the Universal Service Obligation (USO)

EMOTA¹'s main goal is to assist policy makers in removing any barriers to cross-border trade. EMOTA's commitment to a barrier free EU Single Market is long standing and can be traced across all our positions and actions. We are making the following comments with the aim to constructively contribute to the debate over the future of the EU Digital Single Market for products and services by reflecting the views of online sellers across 17 markets, including the largest.

EMOTA, the European Multi-channel and Online Trade Association, welcomes the opportunity to provide input to the ERGP consultation on the potential changes to the Universal Service Obligation and to the EU legal framework for postal services.

EMOTA is the non-profit representative body for European online trade and distance selling. Our membership includes national associations representing e-retailers and distance sellers across Europe. Together we focus on the encouragement of e-commerce in general and the removal of barriers to and facilitation of cross-border distance sales in particular, for the benefit of a functioning Single Market in Europe. As such the issue of parcel delivery is crucial for EMOTA and the EMOTA members.

EMOTA is an active member of the Postal Users' Group². Our key goal related to delivery services is to ensure that e-retailers can benefit from competitive, seamless and price oriented delivery solutions that help adding value to the eCommerce proposition.

General comments:

Over the past years postal services have greatly improved in adapting their offering to the needs of e-retailers. Competition emerged for most of the product categories, helping to improve the price proposition of e-retailers. Being aware of the extremely complex nature of the discussion regarding the Universal Service Obligation (USO) and its impact on the other postal products we welcome the ERGP's initiative to launch a public consultation on this topic in order to find the best way forward and avoid any negative effects.

In our view, before any changes are made to the current USO framework, the following general aspects should be considered:

¹ EMOTA, the European eCommerce and Omni Channel Trade Association, is the European level umbrella federation representing online and distance sellers across Europe. The main mission of EMOTA is to promote eCommerce and Distance Selling and help policy makers remove any barriers to cross-border selling. Transparency register N° 11251212351-96

² Started in 1997, the Postal Users' Group (PUG) is an alliance of EU level trade associations representing sectors that depend or use postal services for their activities



- While it is in the interest of all e-retailers to have a maximum geographical coverage in delivery, and at the most competitive price, we strongly believe that market forces should be given priority in supplying the postal products adequate for the different circumstances (e.g. urban vs rural).
- The overlap between the current USO services and non-USO services (e.g. maintaining a certain number of postal offices, access points, which ultimately are used for both types of products) should not divert the focus from the need for more modern, flexible and consumer friendly delivery and return solutions.
- We welcome the view that an analysis is needed to determine the potential competition issues by the current USO structure and possible future changes in scope.
- Flexibility in implementing the USO should be given to Member States to enable operators to adapt to local situations and to the needs of its customers particularly the e-retailers.

Replies to the ERGP Questionnaire:

1. Does the current scope of the USO lead to excessive costs?

As noted by the ERGP in the Discussion Paper, the mail volumes and traffic which justified the current USO in the past have changed and there is a need to understand how this affects the market. If the citizens' needs require maintaining an extensive infrastructure, USO funding mechanisms have to be balanced in order to be neutral on the costs of parcels for e-retailers.

2. Could tariff regulation (e.g., affordable prices and VAT exemption) introduce a competitive distortion on postal markets?

The EU Commission's Working Group on the Taxation of the Digital Economy and the OECD both recommended recently that tax exemptions should be removed. We fear that tariff regulation and tax exemptions would negatively affect competition especially at regional and EU level. Tariff regulation is only justified in case of market failure.

3. What could the common European minimum scope look like?

A minimum scope should only cover the very basic products aimed at social inclusion. In addition, enough flexibility should be given in accordance with the principle of subsidiarity to enable Member States to adapt to local situations.

4. What essential elements should be guaranteed?

Where no viable alternatives can be outsourced or contracted (i.e. remote areas or disabled users), a solution should be found by taking into consideration the specific requirements of the country in question. Each country will have its specific requirements.

5. What essential elements need to be regulated?

As with the current USO the quality of service and price oriented tariffs should be the main elements.



6. How essential is it to have a uniform base level taking the need for country specific solutions into consideration?

The basic service should match the requirements of each country. The question can also imply that such a USO reform could lead to a USO covering cross-border products and services. We strongly disagree with the inclusion of such services in the USO as this would most likely have a negative effect on competition.

7. Which user categories should be targeted by the USO?

Individuals, individuals in rural areas, disabled in rural areas, small offices and/or home offices? Is it possible to identify changes in this respect in a forward looking perspective? The USO should always be limited to customers affected by market failure.

8. Could there be a reason for protecting competition through the USO (i.e. do safeguarding that USPs' prices are cost-oriented, non-discriminatory and transparent protect customers and competitors?)?

If the USO is licensed it has to be done under appropriate supervision concerning pricing and the service levels. Competition and postal regulators should increase their cooperation with the aim to ensure there is no infringement of competition rules. Such an approach would help balance the costs and resources versus the importance of the product categories in question.

9. Is it necessary to designate an USP for the provision of USO?

If no other viable alternatives can be found, through outsourcing or alternative delivery solutions, should a USP be designated for the USO this should be done with a view not to distort competition rules.

10. In the perspective of a changing postal market, what could be a reasonable designation period and a relevant designation process?

As the ERGP noted, the demand and volumes evolve rapidly and setting a designation period could distort competition on the long term. The current licensing periods are sometimes extremely long, often justified by the need to recover investments. While it is in the interest of all market participants that the governments make the most efficient use of the infrastructure already in place, as this would keep the cost of the USO provision as low as possible, the designation should take place under the correct supervision with the aim to increase efficiency and promote competition.

11. Would changes in the scope of the USO affect the possibility to finance US for instance by a compensation fund (and if so in what way and with what consequences)?

It is likely that as the scope of the USO will be reduced, reflecting the new market conditions, the potential level of contribution by governments, postal operators and competitors would also decrease. The change of scope would also result in the need of postal operators to restructure or re-allocate the infrastructure currently in place for the provision of the USO. A restriction of the scope of the USO to



the minimum necessary products should in our view aim to increase the feasibility of the service and therefore also its cost effectiveness. As mentioned before, the specific details around the USO should also reflect the local market needs, which can be very diverse across a single country.

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