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To The **European Regulators Group for Postal Services** – ERGP
Via mail: GROW-ERGP@ec.europa.eu

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SUBJECT: response to ERGP public consultation *"Developments in the postal sector and implications for regulation"*

Assopostale Association was founded in 2017 by three founders, after two years it became the Association of reference for private postal operators operating in Italy in possession of a regular license (Individual License and / or General Authorization) .
During the two years the Association has promoted the following institutional workshops:

- October 9th 2017 *"The Postal Market between competition and innovation* - Chamber of Deputies "
- October 9th 2018 "The observatory of the national postal *market* - Order of the lawyers of Rome" and Publication of the Book "*10 years in 365 days*" that recap all the European and national legislation of reference for the Italian postal market;
- February 15th 2019 *"The prospects of the parcel delivery market in Italy* - Spazio Europa, Representation of the European Commission in Italy".

Assopostale culturally promotes a redefinition of the current Italian postal market asking for its adaptation to the needs dictated by technological progress and to the changes in the world of work which, in the following years, can't longer foresee special legal reserves for the ex monopolist. Conversely, it will have to promote forms of collaboration and cooperation between the ex monopolist and private operators.
With this document the Association wants to offer a contribution to the ERGP Consultation "*Developments in the postal sector and implications for regulation*". Given the Assopostale' s vision, the contribution opens with a reflection on the change occurred in the postal market in response to the diffusion of new technologies that have changed the needs of consumers and it concludes with a reflection on the need for a terminological and perimetral redefinition of "*postal services*" (e.e. correspondence) and "*transport of goods*" (e.p. packages).

First of all I's necessary to overcome the traditional definition of "*postal market*" and the contradictions that characterize the national markets such as, for example:

- the persistence of a universal service oversized with respect to its effective use (inadequate to the changed needs of users and to the demographic redistribution on the territory) and consequent problem of sustainability of the relative costs;
- the persistence of privileges connected and granted under the Universal Service no longer indispensable to satisfy the needs of individual users or to make up for the postal demand deriving from the national market, a real barrier to entry for competitors and a strong limit to development full competition (example: VAT paid at source - national contribution - postal services subject to universal service);
- the persistence of pending risks on the head of private operators, no longer justified on the basis of a necessary review of the universal service (Example: compensation fund);
- limited access to the universal service provider's network and infrastructure.

As we will explain further below, Assopostale also believes that access to the network is now a mature right to be placed within the guarantees offered by the universal service (as regards "postal services") and, at the same time, that Community and National regulation identify a specific market based on the offer of a package handling and delivery service (with or without access to the traditional postal infrastructure and with a delivery service directly managed or entrusted to third parties).

Still exist a specific postal market?
The answer is certainly positive, but Assopostale deems necessary to frame it in the perimeter of the following considerations.

The advent of new technologies has completely overturned the traditional means used to communicate, decreeing over the years a progressive reduction in the use of traditional postal services and an increase in new businesses related to the movement of goods.
Over the years it has been reduced to the volume of work of postal services, always included in the universal service, has been involved in the handling of parcels carried by express courier service.
This transmigration of needs means that the postal market is no longer parceled out in services and postal products to be offered to users, making possible to group them into two distinct macro-areas, but both functional to meet all the needs of the citizen:

1. postal services for the transport of traditional correspondence intended as communication. To offer these services, private operators can use (and mostly uses) the infrastructure owned by the ex monopolist;
2. Services intended for the transport of goods. This services travels within a 100% infrastructure owned by the private operator that offers them.

To offer traditional postal services, private postal operators must necessarily request access to the infrastructure and the monopolist's network because of:

- the infrastructural gap in terms of employees and real estate that, today, is a clear barrier to entry for alternative operators: these are in fact invited to increase competition in the considerated postal market but, due to the foregoing, the same start already disadvantaged in terms of competitiveness due to the high investments they must necessarily support; it should not be forgotten that, unlike its own contenders, the ex monopolist, in its role as Universal Service Provider, has been able to realize its own capillary infrastructure over the years using copious public contributions;
- the flows deriving from traditional postal services which, being in continuous decline, are also very variable and discourage infrastructure investments by alternative operators, since their yield is not secure;
- the low marginality deriving from the performance of traditional postal services, also because the correspondence handled is of low commercial value.

All these considerations are obviously reversible and therefore could also be the reflections of the ex monopolist, consequently, the only solution to make the traditional postal market still sustainable is the cooperation between alternative operators and the ex monopolist.
This desirable cooperation must necessarily derive from a changed commercial approach to the market and its profitability, but equally important is the incentive for the promotion of competition as a result of the

regulatory work carried out by the national Authorities responsible for facilitating the process of access to the network and the infrastructure property of the ex monopolist.

Within traditional postal services it is obviously possible to identify multiple services for users, but it is essential to identify services considered essential and, therefore, still available within a universal service, keeping them separate from the services intended to business customers.

As long as the nominal pec will not replace the traditional residence address attributable to each citizen, the universal service must continue to guarantee only communication between persons or essential communication between the Public Administration and the private citizen.
Considering that the communication made by mail:

- it's the only service that fully uses the postal infrastructure (from the collection phase to the delivery phase);
- it is a necessary service because it is the only one able to replace all other forms of communication dependent on the use of new technologies;
- it must remain an economic service accessible to all;
- it is a service destined to be completely replaced by technology;
- is the only postal service that is difficult to replicate by other operators for the reasons already examined

It's possible to affirm that the universal service must exclusively concern the correspondence sent by postage stamp. It is in fact a service difficult to replicate without a universal service provider, the citizen and the Public Administration could find themselves in the condition of not having alternatives to communicate and in case of extreme necessity they must have guaranteed a communication service at an accessible cost and the certainty of its delivery.
Reasonably all other postal services may remain outside the universal service because they are intended for large business customers and in this case:

- they don't require full use of the ex monopolist postal infrastructure;
- private operators can choose the level of access to the ex monopolist infrastructure;
- in some cases they are accessory services;
- they are remunerative services because their cost does not have to be guaranteed and for this it is determined by the market variables;
- in many cases they are entrusted through public tenders;
- they are services that are easily replicable and passable by technological innovation, which is why they constitute a market with high competitive potential.

This shows that this type of postal services should no longer be guaranteed by rights because over the years their offer has been strongly replicated through the expansion of healthy competition that has led the consumer and the Public Administration to choose which service to use in consideration of price variables, the quality offered and any technology applied.
The reverse showed that, once again, access to the infrastructure is essential and almost never optional because for each private operator it will be impossible to replicate coverage equal to 100% of the territory through its own postal infrastructure.

This means that access to the network has now become a right to be protected through its placement within the guarantees offered by the universal service.
For the first time, a universal service could be structured to protect all citizens but also the development of healthy competition in the postal sector: to do this, the national Authorities should guarantee a right of access to the network by assigning it an economic support function to the costs of the universal service and, cyclically, could reconsider the access tariffs according to a greater or lesser economic necessity for the maintenance of the service universal.

Providing access to the infrastructure as a right would ensure that the ex monopolist maintains a privileged position in the postal market on the basis of the volumes of correspondence that alternative operators could entrust to them but, at the same time, would ensure them an equal level of competitiveness, differentiated exclusively by the type and quality of the service offered.
Encouraging the alternative operators to entrust a copious part of their correspondence volumes to the ex monopolist would change not only the commercial approach to the postal market and its profitability, but would also lead to a revaluation of the entire postal infrastructure (HUB and vehicles) of the ex monopolist as a result of the saturation of the volumes managed and full employment of employees. The economic added value of alternative postal operators could be demonstrated through a process of economies of scale.

At this point, the opportunity should be considered to separate the management of the postal infrastructure and its assignment to an independent entity that administers the access conditions for all postal operators. Consequently, the national Authority should be given explicit powers for setting access conditions to the ex monopolist postal infrastructure, which should be obliged to dispose wholesale offers for operators active in the upstream delivery markets, at related economic conditions and in order to the use of the single phases of the service rendered.
To the alternative operators must also be recognized the right of access to the post offices of the territory because they are also a component of the infrastructure of the ex monopolist. The recognition of this right would also have an important social impact because it would allow the citizen to choose the postal services to be purchased. Full access to the ex monopolist's infrastructure is therefore important for economic and social reasons but also for allow the development of healthy competition.

The recognition of a single postal service within the universal service (correspondence sent with a stamp) would simplify the quantification of its cost, which could be significantly reduced through the identification and development of new forms of cooperation between the ex monopolist and private postal operators: this cooperation could give rise to a flexible universal service with a cost assessment according to parameters of efficiency and quality of the service provided. Its entrustment should therefore take place through the development of transparent and non-discriminatory procedures that allow the activation of competitive mechanisms for the development of all or part of the universal service for all or part of the national territory.
In this context, it is important to make the universal service financing systems more transparent and it's important to expand the possibilities for choosing the postal service provider, in order to facilitate competition on the quality of the service offered. This choice is important if we consider that in Italy the reestablishment of the preferential tariff regime for the distribution of publishing products, and the allocation of state contributions for this service that can only be accessed by the former monopolist, continues to prevent full liberalization of the Italian postal market and prevents fair competition between all authorized postal operators.

Reducing the cost of universal service means a cost saving for individual states and also the possibility of keeping in force the provision of a compensation fund that, if activated, would cost less to the alternative operators. Reasonably all other benefits still granted to the universal service provider should lapse as, for example, the disapplication of the VAT scheme which, even today, if applied to the provision of NON-essential postal services, prevents the development of healthy competition in the postal sector . it should also be considered that charging the VAT to the Universal Service Provider would provide the State with an additional source of tax revenue.

Within an area composed of traditional postal services, it is still possible to identify specific postal markets. Their recognition could also induce to a review of the system of issuing postal licenses. Particularly important would be the possibility of redefining the scope of the universal service which, prefixed the recognition of the right of access to the postal infrastructure (including the local post offices), would find new forms of financing with a lower cost for the National States. This process would give responsibility to alternative operators and to the identification of new forms of cooperation between the ex monopolist and private postal operators.

The macro area of the transport of goods essentially concerns the handling of parcels and this means:

- a strongly developing market with variable but constantly growing flows;
- a service that carries goods with guaranteed mileage and timing;
- a service usually provided through express couriers;
- a service with a high content of added values for the benefit of the client;
- a market with a fair marginality able to stimulate infrastructure investments by alternative operators.

These premises are sufficient to support that parcel delivery activity must be excluded from the universal service. It’s even more evident if we consider that the consumer and the public administration can choose which parcel delivery service to use according to price, quality, declared timing and technology applied to the service. In addition, the operators that offer the package delivery service are used to operate throughout the country through an infrastructure network of their own, or implemented in partnership, and through their own employees.
It’s clear that the only relevance to the traditional postal market can derive exclusively from the choice of the operators who offer the parcel delivery service to access the infrastructure and the territorial offices of the ex monopolist, in order to increase the capillarity and quality of the service offered to the consumer. A need for access to the ex monopolist network can instead derive from the choice of the same to entrust the delivery of light parcels to the employees of the former monopolist.
The reverse perspective must also be considered, the one that makes the ex monopolist to use the parcel delivery service set up by private operators.

With specific reference to the delivery of parcels (parcels not heavier than 31.5 kg), it is appropriate to specify that we mainly satisfy the delivery needs of e-commerce companies, which are now growing rapidly, and in this market context where instead the volumes of traditional correspondence are falling sharply, the Universal Service Provider quickly acquires a competitive advantage thanks to the use of the infrastructure and the postal network which it historically has for the distribution of correspondence.

At this point it can be argued that over the years the distance between the postal services and the parcel delivery service has progressively decreased, but at the same time there is a clear boundary that must be considered because it brings out the need to redefine clearly and unequivocally the meaning of "*postal service*" and "*postal parcel*". Today the Directive is not very satisfactory in this regard because it defines "*postal items*" as "*packages containing or not goods*".
It is possible to establish a net boundary by dividing the parcel shipping activity into two parts:

1. taking charge and transporting the package;
2. delivery of the parcel to destination (last mile).

The first activity is obviously subject to the regulation of the transport and logistics market, while the second one is part of the postal service activities because the operational activity of delivery (last mile) can come with different solutions such as, for example:

- own employees (which obliges the operator to qualify as a postal operator and to comply with the regulations and regulations in force in the market in question);
- entrusting to other postal operators;
- access to the ex monopolist infrastructure and / or network.

Also in this case it is therefore possible to identify a specific market based on the offer of a single service: the transport of parcels whose delivery to the recipient can be done autonomously, by relying on postal operators or by accessing the network and infrastructure of the former monopolist.
Finally, considering a possible split in two of the parcel transport activity, it is also possible to redefine the boundary between the postal market and the parcel transport activity with the possibility of:

- review the licensing system necessary to operate in one of the two markets or in both;
- delegating to the National Authority the power to regulate both markets;
- provide for the drafting and subsequent application of distinct National Collective Contracts for the postal and parcel transport markets, to be applied to employees of companies operating in their respective markets.

The President: Valterio Castelli