

## **UPS submission to the Swedish Postal Legislation Review**

UPS welcomes the opportunity to provide input to the Swedish Postal Legislation Review. As a provider of express delivery services that fall outside the scope of the universal service, we consider this consultation to be relevant for the future development of a level playing field in the broader postal and parcel delivery sector and also see value for a review in light of the recent European proposals for the regulation of cross border parcel delivery

Please note that the nature and contents of our contribution are based on the English summary of this consultation. We have limited our contribution to two specific areas of the consultation: the scope of the universal service and data collection. We have also covered a third area, the difficulty accessing some apartment buildings in Stockholm. We can provide more information on any of the points outlined below.

### **The scope of universal service:**

We encourage a review and possible reduction in the scope of the Universal Service Obligation (USO). It is important to note that the current USO scope was defined more than 20 years ago when the letter mail market was liberalised and there was much greater reliance on the regular delivery of (letter) mail as a means of communication.

Also, please note that parcel delivery services were never part of a reserved area and have been provided on a commercial and competitive basis prior to and throughout the entire postal reform process. Taking societal and technological changes into account, there are sufficient grounds to challenge the need for a postal service on 5 working days a week: email has replaced letter mail and e-commerce purchases drive parcel delivery frequency.

Given that the majority of parcel deliveries is driven by commercial rather than social needs, it would be reasonable to review if a universal service obligation for parcels is necessary at all and if the scope of the USO cannot be reduced to small and light weight C2C mail items. Services related to bulk mail, bulk parcel volumes and anything that originates from companies (B2C) should be removed from the USO. A significant reduction in the scope of the USO by excluding commercial parcels would create more competition and help Universal Service Providers (USPs) to reduce USO related cost.

With regard to the essential requirements, general non-economic reasons which can induce a Member State to impose conditions on the supply of postal services, we would like to suggest that many of these provisions<sup>1</sup> are covered by other forms of regulation and legislation and that no specific treatment for USPs would be required nor justified. If the question is about the scope of the USO, we would support a certain frequency of service (but less than the current 5 working days), nationwide coverage and affordable service for C2C letter mail items up to 2kgs.

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<sup>1</sup> Security measures, social security and labor conditions, data protection rules, dangerous goods provisions and consumer protection rules, confidentiality of items.

Price regulation for the Universal Service should remain in place and can actually help to avoid competitive distortion in the market if it is correctly used to keep prices for Universal Service products closely geared to cost and allow only for a very small/reasonable profit margin that cannot spill over into competitive services. It is also important to ensure that USPs do not provide certain services to their commercial subsidiaries at below market rates as this would lead to indirect subsidisation of their commercial activities<sup>2</sup>. The VAT exemption, still in place in many markets, has resulted in competitive distortion when applied to services that are offered in competition with other service providers such as C2C parcel delivery services.

In theory, regulatory controls applied to the USP on pricing, access and other aspects of the service can help to avoid competitive distortion. Based on the various studies, carried out on behalf of the European Commission, in relation to the scope of the USO and the calculation of the cost of the USO, it is clear that there is very little consistency across Member States in methodology and calculation methods and a lack of transparency in accounting to enable regulators to identify possible abuses of USO pricing and financing.

#### **Data collection:**

UPS supports detailed data collection to ensure a high quality of universal service provision and to regulate its designated providers. Even with a reduction in the scope of the Universal Service, it remains essential that the regulator has sufficient data on the scope of the Universal Service to enable effective control on price affordability and to avoid competitive distortion resulting from financial transfers to the commercial service offered by the designated operators.

With regard to data collection for the broader parcel delivery sector, we support a lean, standardised and automated template for data collection across the whole of the EU, so that effective comparisons can be made across the different EU markets. This would be the only data that could be collected from non-universal service providers by National regulatory Authorities (NRAs). The data set should include annual volumes for domestic and cross border shipments as well as general company information, allowing the regulator to monitor market developments.

#### **Apartment access:**

In Stockholm, with an increase in B2C deliveries, UPS is now increasingly delivering to apartment buildings. Gaining access to these buildings can be challenging. We would like this consultation to consider how any change in legislation could help private sector carriers, such as UPS, access these buildings more easily. We understand this is a common problem. Better access would reduce the number of times we make delivery attempts and, as a result, reduce our emissions. We recognise that these are private buildings and residents cannot be compelled to provide access but a communication programme by the Swedish Government encouraging apartment building management companies to have a joint access scheme, to enable their residents to receive deliveries in a timely fashion, could be the answer.

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<sup>2</sup> Cfr the Chronopost Case .