

# **Postal Policy until 2028**

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## List of abbreviations

CERP – European Committee for Postal Regulation

VAT – Value Added Tax

ERGP – European Regulators Group for Postal Services

EU – European Union

ETOE – Extraterritorial Office of Exchange

NP – Natural Person

the Commission – European Commission

MT SR – Ministry of Transport of the Slovak Republic

MFEA SR – Ministry of Foreign and European Affairs of the Slovak Republic

Regulation on Cross-Border Parcel Delivery Services – Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services

UN – United Nations

PostEurop – Association of European Public Postal Operators

LP – Legal Person

Postal Directive – Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service amended by Directives 2002/39/EC and 2008/6/EC

PWC – PricewaterhouseCoopers Advisory, s.r.o.

AAM – Advertising Addressed Mail

RFID – Radio Frequency Identification

UPU – Universal Postal Union

RAECPS – Regulatory Authority for Electronic Communications and Postal Services

US – Universal Service

USP – Universal Service Provider

SP, a. s. – Slovenská pošta, a. s.

SR – Slovak Republic

SB – State Budget

Act on Postal Services - Act No. 324/2011 Coll. on postal services and on the amendment to certain acts, as amended

## Introduction

Receiving, transmitting, sharing and exchanging information is a highly valued asset of any developed and education-based society. They are the pillar of communication not only between populations, but also between trade, services and other segments of the economy, as well as between different economic, sectoral and other community groupings. Communication, including communication through postal services, can be seen in the light of Article 19 of the UN Universal Declaration of Human Rights, which defines the right of everyone to freedom of opinion and expression, including the right to receive and impart information and ideas through any media and regardless of frontiers. The secrecy of messages and other documents, including the secrecy of correspondence, and the protection of personal data are among the fundamental human rights and freedoms also under Article 22 of the Constitution of the Slovak Republic.

These fundamental human rights are also enshrined within the specific legal framework for postal services in the Slovak Republic, primarily in the Act on Postal Services, which regulates the secrecy of correspondence in Article 10 as the subject of postal secrecy, while setting out the conditions for its protection, or the possibilities of disclosure.

Building on these facts, it can be concluded that postal services have been and continue to be perceived as a relevant partner of individual national economies. In light of the cross-border framework, they are an integral part of the WTO Agreement on Trade in Services, but also of the framework of the global postal network organised either under the auspices of the UPU or individual trade arrangements. The status of postal services as services of general economic interest is also underlined by their tertiary dimension and overlap with vulnerable groups of society, while Article 3 of the Act on Postal Services defines them as a basic offer of postal services, which serves to ensure the minimum satisfaction of the needs of all users of postal services on the territory of the SR so as to ensure the availability of access and contact points of the public postal network under equal conditions, in the established quality, at a reasonable price, every working day with at least one collection and delivery per day.

The postal services sector is an important element of trade that contributes greatly to the growth and resilience of the economy. It is of fundamental importance from the point of view of social inclusion, as well as from the point of view of general government authorities that use postal services to communicate with the public. At the same time, it is essential for other sectors as well, as businesses of all sizes use postal services to build their business, deliver goods and receive payments. For vulnerable users and citizens in remote rural areas, postal services are necessary to ensure connectivity to an increasingly digitalised economy, as confirmed during the COVID-19 pandemic.

The postal services sector therefore plays a key role in ensuring the right to information and promoting territorial, social and economic cohesion.

## 1. Postal services market

In the more than 25 years since the establishment of the regulatory framework for postal services and the adoption of the Postal Directive, there has been a significant shift on the postal services market, influenced in particular by technological innovation, digitalisation and e-commerce. Letters are gradually being replaced by electronic communication, especially in the context of e-government. Moreover, many traditional bulk senders (e.g. banks, utilities) are gradually moving to more efficient electronic communication solutions. At the same time, e-commerce has led to significant growth in parcel delivery services. Digitalisation and technological developments have transformed the needs of consumers and businesses, resulting in the creation of new products, services and business models. The postal services sector is no exception.

Since the financial crisis in 2008, letter shipments within the EU have experienced an annual decline of 4.9% and this trend has accelerated due to the economic downturn during the COVID-19 pandemic, with letter shipments declining by 12-26% year-on-year across EU Member States between 2019 and 2020. In contrast, parcel delivery services in the EU have experienced annual growth of around 9% since 2008, accelerated by the COVID-19 pandemic, as evidenced by an average global parcel growth of 43% in the second quarter of 2020. These two diametrically opposed trends in letters and parcels are likely to continue at least in the medium term. Of course, the same trend can be observed in the SR, where the demand for letter shipments in the period between 2015 and 2019 represented a decline of 13%. As regards the evolution of the postal market during the COVID-19 pandemic, (from a global perspective<sup>1</sup>) there was a 13.6% decrease in domestic letter shipments and a 17.7% increase in demand for domestic parcels in 2020.

It should be noted, however, that this development has not been homogeneous in all regions of the world, as many postal businesses have not been able to keep up with the demands placed on them by online retailers. One of the main barriers for postal businesses, which do not allow them to benefit from the growth of e-commerce and therefore the volume of parcels, is mainly the poorly adapted infrastructure (sorting centres, delivery network, vehicle fleet, delivery drivers), which is tailored especially for letter shipments. Lack of flexibility in responding to changes on the postal market results in loss of market shares for the postal businesses concerned.

In response to changing market conditions, postal businesses are striving to maintain their market position, in particular by introducing technological innovations, expanding their portfolio of products and services, transforming their postal networks, increasing labour productivity and optimising their cost models.

Postal businesses are increasingly investing in new technologies in both the first and last mile of the postal transport chain, using barcodes, modern sensors for reading and processing in sorting centres, RFID technology, robotics in processing centres, or autonomous vehicles or drones for mail delivery. In addition, they are taking advantage of market opportunities and diversifying their product portfolios, particularly in the areas of express services, logistics, printing and packaging services, financial services, retail services and e-government services.

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<sup>1</sup>) This development applies only to designated postal businesses that comply with their obligations under the UPU Acts.

Several of these services are also offered by USPs as part of services of general economic interest under contract with the State. The transformation of the delivery network, which is being adapted to the volumes and types of mail entering the postal network, also has a major impact on improving efficiency. In particular, this includes the centralisation and automation of sorting centres, the centralisation of distribution centres, the introduction of alternative delivery days, the integration of parcel and letter delivery, the introduction of more efficient delivery methods (e.g., parcel lockers, dispensing centres, acquisitions with other entities, etc.), the replacement of the so-called brick-and-mortar post offices by alternative methods such as mobile post offices.

Environmental sustainability is also an integral part of the business strategies of several postal businesses. The postal sector represents a high potential for achieving the objectives of both the European Green Deal and the strategy A Europe Fit for the Digital Age, not only in the field of transport but also in the field of energy efficiency and the circular economy. CO<sub>2</sub> emissions from domestic operations in the EU have increased by an average of 12% per year since 2017 to around 5.5 million tonnes today. 85% of emissions are generated by transport and real estate, with air transport accounting for the largest share of emissions. Postal businesses are therefore placing increasing emphasis on sustainability and introducing a number of measures such as the use of alternative energy sources to increase the energy efficiency of buildings, setting voluntary internal targets within their own operational activities (including in the area of reducing CO<sub>2</sub> emissions), procuring environmentally friendly means of transport, introducing intelligent route planning, expanding the network of parcel lockers, working with e-merchants to efficiently pack goods to eliminate excess air in parcels, resulting in increased vehicle capacity, etc. These measures presuppose the mutual cooperation of all stakeholders, i.e. not only postal businesses, but also e-commerce and subcontractors. From a State perspective, the key in this area is in particular the establishment of a harmonised framework for the measurement and recording of greenhouse gas emissions in order to compare and take appropriate measures for continuous improvement. From a regulatory perspective, the question of what regulatory measures would be effective in the postal sector to achieve environmental sustainability comes to the fore.

In terms of pricing policy, US domestic letter mail prices have increased steadily in nominal terms since 2008. The price of the most commonly used letter product, the domestic letter weighing up to 20 grams, has increased by 7% per annum in nominal terms. In terms of parcel deliveries within the US, their price has increased slightly over the same period, despite the increase in volumes. Between 2014 and 2019, national prices for a standard parcel weighing up to 2 kg have increased by an average of 1% per year, with a nominal price increase of 2.6% for the cheapest cross-border destination and 0.3% for the most expensive cross-border destination.<sup>2</sup>

It is indisputable that the postal services sector is a key sector in terms of society as a whole, as it is usually one of the largest employers on the national market. In 2018, it provided around 1.7 million jobs for citizens in the EU, with employment levels fluctuating between European USPs. Over the recent period, the level of employment has been declining at an average annual rate of 1.3%, but the adjustment of US requirements has not had a significant

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<sup>2</sup> Source: <https://single-market-economy.ec.europa.eu/system/files/2021-11/Report%20on%20the%20application%20of%20the%20Postal%20Services%20Directive.pdf>

impact on the level of employment. In the private sector, there has been an increase in more flexible employment (e.g., agreement, part-time, freelance, through employment agencies), including outsourcing, which is also a growing trend among USPs. The research on employment trends outlines five possible scenarios for the postal sector in 2030:

- (1) standardised society - a fast-changing society that makes significant use of digital technologies, part-time work for its employees, more complex job descriptions with higher pay, automation of tasks and less flexibility of processes, and at the same time conducts an active social dialogue, especially when negotiating new standards appropriate to the changing environment;
- (2) echo chamber society - a highly digitalised and individualised society and economy, with new players setting the “tone”; this era would mark the end of traditional social dialogue, with employment characterised by automation, agile working, more complex and increasingly demanding jobs, and micro and lifelong learning;
- (3) adaptable society - a society that maintains the existing format of social dialogue with gradual adjustments in a slowly reacting society and an overall effort to gradually integrate also new market actors, while its internal employment is characterised by large differences in the workforce, especially in terms of remuneration, integration of new technologies, job profiles and work organisation;
- (4) vicious cycle society - a society characterised by the slow deterioration of social dialogue, marked by tensions and a decline in mutual solidarity, a lack of investment in automated technologies, and with employment marked by fear of job loss, worsening working conditions and low pay;
- (5) innovative society - the driving force behind this scenario is a broader social debate, social dialogue invigorated using new approaches, and employment characterised by diversified forms of employment with comparable access to social security and a focus on collaborative technologies.

The COVID-19 pandemic has also affected the postal services market, in particular accelerating the decline in letter volumes while spurring growth in parcel volumes, both from the perspective of individual customers and commercial entities. Postal businesses have seen an increase in requests for delivery to addresses, pick-up or drop-off locations (PUDO locations) and parcel lockers. The pandemic has also accelerated the trend towards the development of online platforms and e-commerce, with many of these entities gradually transforming themselves into traditional postal businesses, either through vertical or horizontal integration, or by building their own infrastructure (delivery network). The entry of online platforms into the field of delivery services has undeniably brought benefits for buyers in terms of positive impact on the quality of service and also on prices. The status of online platforms varies from one Member State to another, with some treating them as postal businesses and subject to postal regulation. The presence of these entities on the postal market undoubtedly also has an impact on competition, which needs to be sensitively perceived in particular in terms of the level playing field on the market and the impact on the sustainability of the US. In the light of the above, the need to regulate online platforms may be considered, in particular to protect consumers and to create a level playing field for all entities providing the same activities<sup>3</sup>.

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<sup>3</sup> <https://ec.europa.eu/docsroom/documents/48199>

In the SR, the RAECPS is currently authorised to regulate postal businesses, i.e. business entities which have registered in accordance with the general authorisation and which provide postal services within the meaning of the applicable legislative regulation.

The phenomenon of e-commerce development also has a cross-border dimension. Part of the business strategies of some USPs is to expand into foreign markets. One modern form of this expansion is the building of global networks, called ETOEs, to profit from the growth in postal items (parcels) generated by e-commerce. An ETOE is a distribution centre operated by a USP in a foreign country for the purpose of delivering/collecting postal items. The general rules for the establishment of ETOEs and the registration of the relevant international mail processing centre codes, the so-called IMPC codes, are determined by UPU Resolutions C 44/2004 and C 63/2008. Each UPU member country can set its own requirements through which it can decide under what conditions it will allow the establishment of ETOEs on its territory. In line with the policies of other UPU member countries, the SR has set similar requirements for granting consent for the establishment of an ETOE on its territory.

At the same time, in response to social and economic developments, the tendency for society to shift from ownership to the sharing of goods, assets or services is also resonating more and more intensively today. This ideological shift has to some extent been further fuelled by the recession of 2009, which has gradually brought more social, environmentally friendly and sustainable consumption to the fore. The model, which was initially shaped by the efforts of individuals or entities to generate additional income through the sharing or renting of their assets (e.g. cars or real estate), continues to prove viable with potential and new opportunities also for entities operating on the postal services market.

The MT SR will:

- a) when approving strategic documents in the field of postal services, support the introduction of new technologies, digitalisation, optimisation of the product portfolio and transformation of the public postal network in accordance with the needs of postal service users and market requirements in the interest of sustainable US, taking into account the financial security of the US,
- b) take care of security in the provision of postal services, in particular monitor the implementation of the tasks arising from the Postal Security Strategy for the period 2021 - 2024 and initiate its updating,
- c) emphasise social responsibility - environmental, economic and social,
- d) in the provision of postal services, in particular monitor the fulfilment of tasks arising from the Social Responsibility Strategy of Slovenská pošta, a. s., until 2024 and initiate its update.



## 2. Legislative framework

The EU's legislative and regulatory framework for postal services is defined by the Postal Directive, the main aim of which was to ensure harmonisation of national obligations of the MS while gradually introducing competition in the postal services sector. Furthermore, the Regulation on Cross-Border Parcel Delivery Services was adopted in 2018 in order to ensure greater transparency and regulatory oversight in relation to parcel delivery services.

The Postal Directive has been implemented in the Slovak Republic through the Act on Postal Services and through secondary legislation represented by the RAECPS decisions, namely the general authorisation for the provision of postal services and the postal licence for the provision of MS.

In 2021, in accordance with Article 23 of the Postal Services Directive, the Commission produced a report on the application of the Postal Directive in order to determine whether the Postal Services Directive has achieved its objectives, continues to serve its purpose and meets the current and future needs of users and operators of postal services. The main finding of this report was that maintaining some form of MS for all EU citizens is justified, but with a reasonable degree of flexibility for Member States to design postal services policies at national level. At the same time, the evaluation has identified issues that are not sufficiently reflected in the current Postal Services Directive or where the Directive has not delivered the expected results:

- a) the benefits of MS to society are declining, while the provision of MS is becoming increasingly costly,
- b) the internal market and stimulating effective competition in the letter mail segment have not been achieved to the extent envisaged,
- c) standards are not applied sufficiently; this reduces legal certainty and can lead to interoperability problems.

At the initiative of the Member States (including Slovakia), the EU Council adopted Decision 2022/1327 of 26 July 2022 requesting the Commission to submit a study on the situation of the internal market of Union postal services, in particular regarding the application of the Postal Directive, and a proposal, if appropriate, in view of the outcomes of the study. In response to that decision, the Commission acknowledged in its letter of 21 October 2022 that the results of this study may indicate the need to bring forward a proposal to revise the Postal Directive and to take further action. At the same time, however, it stated that it would be premature to draw any conclusions at this stage as to whether a revision of the Postal Directive would be the most appropriate solution; however, if the outputs of the study show that this approach is appropriate, the Commission will bring forward its revision at a later date (however, the Commission did not give an expected timetable).

The legislative framework implies, among other things, the competence of the MS SR in the area of approving the issue plans of postage stamps and postal stationary and their design and artistic solutions. In order to preserve the quality of Slovak postage stamps, it is necessary to continue the well-established activities, in particular the issuance of representative postage stamps based on steel-plate engraving. At the same time, within the framework of the promotion of postage stamps among the wider public, it is necessary to orient the intentions of the issuing activity in such a way that, despite the dynamic changes and substitution effects in the

environment of postal services in the issuance of postage stamps, there is also a proper space for innovation and an innovative approach.

The MT SR also develops long-term cooperation with philatelic associations in the interest of stabilisation and sustainability of their activities in the coming years, especially in the framework of fulfilling the tasks resulting from the decisions of the UPU congresses. On the basis of cooperation agreements, the MT SR supports philatelic activities for seniors and youth to the same extent, especially philatelic exhibitions, seminars and publishing activities.

The MT SR will support the revision of the Postal Directive, with an emphasis on ensuring a sustainable US while maintaining sufficient flexibility for Member States, in particular in defining the US and its scope.

When approving the issue plans of postage stamps and postal stationery, their design and artistic solution, the MT SR will place emphasis on moderate issue activity in accordance with globally valid recommendations in the ethical field and on the quality of postage stamps in the interest of preserving their cultural value for the whole society.

The MT SR will, within its financial possibilities, continue to support philatelic associations, with particular emphasis on supporting the development of youth philately.

### 3. Regulatory framework

The creation of the regulatory framework for the provision of postal services, which is provided for by the Postal Directive and the Regulation on Cross-Border Parcel Delivery Services, was primarily driven by concerns that, in the absence of regulation of the postal services market, some essential services would not be provided to citizens due to the excessive cost of providing them. Another concern was the risk that the dominant postal company might abuse its market position by charging too high prices and low quality for the services it provides and by its activities restrict competition.

The EU regulatory framework for postal services sets out the framework rules for the exercise of state regulation and state supervision over the provision of postal services and specifically the US. In addition to guaranteeing the provision of affordable and high-quality US for all users, the Postal Directive aimed to create a well-functioning and competitive internal market for postal services and to establish harmonised principles for the regulation of postal services. With the development of the postal market, however, new entities are also entering the postal market and in this context the question of the relevance of the definition of certain terms, or the postal market itself, from the point of view of the need to avoid a negative impact on providers and users of postal services, is coming to the fore more and more often. In response to the Commission's open public consultation, the majority of national regulatory authorities favoured a review of the current definitions, with the ERGP recommending to the Commission in its report:

- a) the creation of an entirely new regulatory framework for the provision of postal services (the "greenfield approach"),
- b) change the focus of the regulatory framework from the provision of US to postal market functionality, competition and consumer protection,
- c) clearly define the boundaries of the postal market,
- d) apply the same regulatory framework to comparable services,
- e) strengthen the competences of regulatory authorities and their harmonisation, in particular as regards the competence to impose ex-ante obligations in the event of market failure, including the obligation to allow access to the network,
- f) provide all EU citizens with a minimum set of postal services in line with their needs that would otherwise not be provided commercially (e.g. keeping bulk letters and parcels within the scope of the US is unjustified), while retaining sufficient flexibility to adapt this set to national conditions and specificities,
- g) review the new regulatory framework in relation to other legislation, in particular in the areas of consumer protection, customs, VAT, personal data protection, security of goods and transport of goods,
- h) consider strengthening the powers of regulators and others.

On the other hand, it should be noted that postal service providers in the public consultation preferred to maintain the current definition of terms. In particular, the USPs associated within the PostEurop closer union have stressed the need for sufficient flexibility to respond flexibly to rapidly changing market conditions, taking into account national specificities, and to provide a US that is economically sustainable and in line with user requirements. Since, in their view, there is no market failure in the area of delivery, the

development of e-commerce is not in itself a reason to strengthen regulation of the postal market.

At the same time, they state that:

- they support a regulatory framework that provides sufficient scope for subsidiarity,
- the US is at the heart of the legislative and regulatory framework of postal services and this concept should be maintained in the future,
- the general rules on competition are sufficient and that there is no need for further measures to promote competition, particularly on the package market where there is a high level of competition,
- the US is of fundamental importance in terms of economic and social inclusion,
- the role of the regulator, its competences and its interventions should correspond to the actual requirements of customers on the postal market,
- postal businesses need to make appropriate commitments to environmental and social responsibility in the conduct of their activities.

In terms of competition, expectations on the letter market have not been met, however, mainly due to the worldwide decline in letter volumes. On the other hand, the e-commerce market is growing steadily, leading to an increase in the supply of delivery services, i.e. it can be concluded that competition on this market is fully developed.

In view of market developments, which bring many challenges and opportunities for postal businesses, the MT SR will initiate the establishment of a working group to review the current regulatory framework, in particular with regard to the review of the scope of RAECPS competences in the area of:

- the need to regulate new entities on the market or to supervise the services they provide (e.g., online platforms),
- assessing the declared scope and actual manner of provision of “non-interchangeable services” by individual postal businesses, in relation to contributions to the compensation fund,
- setting environmental sustainability requirements in secondary legislation,
- conducting a survey on the needs of users of postal services,
- reviewing the USP cost model in relation to the financing of the net cost of providing the US.

## 4. Universal service

As the report on the application of the Postal Directive has shown, maintaining some form of US for all EU citizens continues to be justified. Particularly during the COVID-19 pandemic, the importance of preserving the US, which remains the essence and purpose of postal market regulation, was confirmed. In defining the scope of the services provided under the US, individual Member States have applied the principle of subsidiarity, in line with current developments in their country, and this scope therefore varies from country to country. USPs have a special position, both rights and obligations, on the postal market and are obliged to ensure the provision of postal services to a specified extent throughout the territory of the Member State and to all citizens every working day. In accordance with the Act on Postal Services, the USP in the Slovak Republic is obliged to provide collection and distribution of postal items up to 2 kg, parcels up to 10 kg, distribution of parcels from abroad up to 20 kg, collection and distribution of registered and insured mail, official mail and mail for the blind, and services related to registered mail, while the quality requirements are specified in more detail in secondary legislation - the postal licence.

As the postal services business model is based on economies of scale, the unit cost of delivery is increasing as a result of declining letter volumes. Many postal service providers across the EU have innovated their business models to compensate for ever-increasing costs. USPs that have well-established networks and a high fixed cost structure are looking for ways to increase their efficiency, improve customer-oriented solutions, diversify their services and find new markets to grow and expand. The rise of e-commerce presents a unique opportunity for USPs, many of whom are already strong competitors to other parcel delivery service providers. However, with very few exceptions, USP's market share in the parcel segment remains relatively small compared to the letter segment, where they have always had (and continue to have) a very significant share or even remain the only relevant market participant.

Given the relatively rapidly changing market situation, even the report on the application of the Postal Directive itself admits that certain parts of the Directive cannot fully reflect these changes. As a result, some of the costs associated with the provision of the US are rising, while the wider benefits to society as a whole are falling. This fact thus gives rise to possible considerations of relevant adjustments, in particular in the scope of the US and the frequency of delivery.

In this context, the consultancy company PWC has prepared a study "Analysis of possible changes in the scope of the US in the SR and their impact on its sustainability" for the MT SR. The elaboration of this task resulted primarily from the Manifesto of the Government of the SR, where the Government of the SR undertook in particular:

- to base the provision of the universal service, taking into account its social dimension, on the objective needs of the population and other entities using the universal postal service,
- to ensure an adequate range of services of specified quality at affordable prices for all users, taking into account sustainability,
- as regards sustainability, to emphasise environmental responsibility, especially the reduction of CO<sub>2</sub> emissions, occupational health and safety and social responsibility towards stakeholders,

- that within the framework of its social responsibility towards the population, in the provision of universal service, it will emphasise the disadvantaged groups of the population, especially the elderly, the immobile and the sick,
- to review the need and possibilities of delivering mail every working day.

The conclusions of the study led to alternative proposals for modifying the US, including an outline of their potential impacts. More broadly, the recommendations cover a number of areas. These include, in particular, the exclusion of specific products from the US portfolio, changes to the density requirements for access and contact points of the public postal network, social products and public services.

a) Exclusion of AAM from the scope of the US

Under the Act on Postal Services, AAM is defined as a communication that consists solely of advertising, marketing or promotional material and contains the same message except for the addressee's name, address and identification number, which do not change the content of the message. The shipping time for AAM is currently set at D+4 for the USP, i.e. four working days after the day of posting. In this context, an analysis of the impacts on the population, the SB and the USP has been carried out. The exclusion of AAM from the scope of the US is likely to have an impact on the SB from a VAT perspective. However, this impact is dependent on a number of factors, such as a decline in volumes of "new" AAM product outside the US scope and potential migration to other US products, such as Class 2 Letter. In this case, the additional VAT would be a revenue of the SB. The abolition or exclusion of the AAM service is not contrary to EU legislation and does not have a significant impact on NPs, LPs, the SB and USP. Comparison with EU Member States confirmed the trend of removing AAM from the scope of the US (currently only 7 Member States, including Slovakia, declare the inclusion of AAM in the US).

b) Exclusion of bulk parcels and bulk letters from the scope of the US

The main users of bulk letter and parcel shipments are commercial companies or general government authorities. The impact of excluding bulk services from the scope of the US should not be understood in terms of the added value that the USP is able to offer. It is likely that a new commercial bulk letter and parcel service would provide LPs with better conditions and better suit their individual needs. A key benefit for LPs is the widest network of USPs and coverage, which could be an attractive alternative for service users. This would positively affect competition on the market and force service providers, including USPs, to optimise their processes and introduce innovative solutions.

If bulk letter and parcel services were excluded from the US scope, USPs would gain greater flexibility in pricing and quality conditions. Currently, competitors on the market offer lower prices to clients. Therefore, it can be assumed that with more flexibility, the USP would be able to provide its customers with better individual solutions and scope for network optimisation.

Developments in EU Member States also confirm the trend towards the gradual exclusion of bulk shipments from the scope of the US. Currently, only 18 Member States,

including the SR, declare the inclusion of bulk letters in the US, but only 11 Member States, including the SR, declare the inclusion of parcels.

c) Change in density requirements for access and contact points of the public postal network

Changes in the public postal network concern the assessment of a combination of partial post office closures while implementing new solutions (e.g., mobile posting, mobile post office, franchising) to the extent imposed by internal legislation for the US versus the availability of access and contact points. This trend is being applied more widely in several EU Member States and to a lesser extent in Slovakia. It is clear that this is a flexible option for the provision of US services. However, these are very specific solutions applicable in small geographical areas with specific conditions. Although it is problematic from a legislative point of view to explicitly define the conditions for the provision of the US through new solutions in the public postal network, secondary legislation provides sufficient flexibility to respond flexibly to changing market requirements. From the experience of other EU Member States, it can be assumed that the provision of the US can be ensured at a comparable quality, or even higher, also through the use of alternative solutions in the public postal network. The operation of access and contact points beyond ensuring the availability of the US should primarily be the USP's own strategy resulting from the real demand, the economic efficiency of the postal network and the conditions of the postal market in the SR.

According to Article 3 of the Postal Directive, the provision of US must be guaranteed for at least five working days a week, except in circumstances and geographical conditions which are deemed exceptional. Such exemptions may be granted by both the USP and the RAECPS after an assessment. Maintaining the current delivery frequency appears to be unsustainable, given the decline in letter volumes and the continuous increase in costs (especially labour costs). The net cost of providing US has been rising over the long term and places increased demands on the SB. Given the still significant demand in the SR for postal services, especially in rural areas, it is necessary to take into account the potential impacts on the quality of US provision, the satisfaction of the population, as well as on employment when reducing regulatory requirements on the frequency of delivery.

d) Public services

On the other hand, however, it should be pointed out that the current coverage of the territory by the public postal network represents a unique competitive advantage and an opportunity for its use for the provision of a wide range of commercial services, both postal and non-postal, both for the State and for other commercial entities. Alternative uses of the public postal network may relate, for example, to the provision of various support services for the silver economy, healthcare support, information gathering on regional living situations, or other services for the tertiary sector. Given the growing trend towards an ageing population and widening social gaps, the importance of this type of service will become even more important in certain areas. Based on the study by the UPU, up to 79% of postal businesses out of 113 respondents already offer some kind of such services and 59% of the respondents plan to implement new services of a similar nature in the near future.

The world's best examples offer guidance on how to diversify product portfolios and innovate the postal network so that it can be used by postal businesses and individual governments to fight poverty and social inequality, while at the same time making use of the capacity of their network (which may be freed up, for example, by declining mail volumes). At the same time, these guidelines and recommendations cannot be applied in a fixed way, as different countries and local communities have different and often unique needs.

The overall benefit of these services needs to be recognised. These services can generate additional revenues for postal operators and at the same time increase the added value and revenues of existing products. Postal businesses are well placed to be able to help residents use the internet and digital services. Post offices can benefit from the subsequent effect and increase in demand. An analysis of the current capacities and utilisation of the postal network, postal products, services and partnerships can contribute to a detailed definition of these services in each region. In developing a portfolio of such services, there is a need to actively communicate with relevant partners such as public institutions, local authorities, non-governmental organisations and the private sector. Services are entirely dependent on the willingness, motivation and training of staff, so the benefits need to be clearly communicated. At the same time, employees should be part of their creation. In terms of branding and trust among the population, the provision of such services is a very easy to grasp marketing and communication tool for postal businesses.

Investments in the development of service providers for the silver economy and the tertiary sector should be part of the long-term strategic plans of public institutions as well as non-governmental organisations. The provision of quality public services has a significant impact on building trust in public institutions and services for citizens. Public institutions should use the established postal network to implement national or local initiatives, ranging from the collection of national statistics, elections to environmental topics of the circular economy and waste management. It is the postal businesses that should play a strong partnership role with public institutions in their implementation and processing.

The main benefit provided to residents is increased quality of life and satisfaction. In terms of the biggest challenges for sustainability by 2050, the key ones are the fight against poverty and inequality, population ageing, accessibility of services to the population and recovery from the consequences of the COVID-19 pandemic. It is precisely for these challenges that public services can be complementary solutions. New services and products provided by postal businesses have the potential to create new jobs or maintain current staffing levels even on a declining US market.

At the same time, based on the findings of the Commission's study on the main directions for the development of the European postal market for the period 2017-2021, fragmentation on the market also persists with regard to the legal mechanism for financing the net costs of the US. The net cost of providing the US can be substantial. In general, if USPs had to bear them alone, they would be at a disadvantage vis-à-vis their competitors. With the continuing decline in the volumes of postal items and the apparent sub-optimal way in which the provisions of the Postal Directive on the compensation fund have been applied and are functioning, the compatibility of national financing of the net costs of the US or public services with the rules of the Treaty on the Functioning of the EU therefore remains a topical issue.



The MT SR will examine the need to amend the Act on Postal Services, in particular in relation to:

- the scope of the US in line with the needs of users, market developments and current trends, with an emphasis on its sustainability,
- the definition of access and contact points in the public postal network in relation to the introduction of innovations and alternatives in the public postal network as well as in relation to the needs and requirements of users of postal services,
- the elimination of deficiencies occurring in practice, especially in relation to the increase in digitalisation and technological development in the postal services sector, including the relevant competences in the field of market regulation in order to eliminate possible abuse of market position,
- the approach to sustainable financing of the US or public services.

The MT SR will promote the use of the public postal network for the provision of services of general economic interest and other services for the State within the framework of inter-ministerial cooperation.

## 5. International cooperation

In the field of postal services, the MT SR is the coordinator of the membership in the international UN organisation UPU. The core mission of the UPU is to stimulate the lasting development of efficient and accessible universal postal services of quality in order to facilitate communication between the inhabitants of the world by guaranteeing the free circulation of postal items over a single postal territory composed of interconnected networks, encouraging the adoption of fair common standards and the use of technology, ensuring cooperation and interaction among stakeholders, promoting effective technical cooperation, and ensuring the satisfaction of customers' changing needs.

The key strategic document of the UPU for the period 2021 – 2025 is the “Abidjan Postal Strategy”, which was adopted by the 27th Universal Postal Congress in Abidjan; inter alia, it defines four key areas as follows:

- Governments should decrease gaps in postal development through increased investments and focused policies, and promote various ways to utilize the postal network for socio-economic development;
- Regulators should harmonize and enhance the sector's regulatory framework;
- Operators should seek to enhance their performance by implementing diversified strategies and operational improvements;
- Other stakeholders from the private sector and public institutions should pursue integration into the sector by engaging with traditional stakeholders, and vice-versa. This means opening up the market, fostering partnerships and enhancing the role of the UPU.

In terms of specific objectives within the above areas, these are clearly defined and assigned to the responsible entities within the Abidjan Postal Strategy itself on a region-by-region basis. In the conditions of the SR, these objectives will be fulfilled, according to the subject matter jurisdiction, by the MT SR, RAECPS and the US provider.

In accordance with Article 2 of the Universal Postal Convention, SP, a. s. is the officially designated entity for ensuring the operation of international postal services and the fulfilment of the obligations arising from the UPU Acts, on the basis of the postal licence it holds (Article 3(5) of the Act on Postal Services).

The MT SR, RAECPS and SP, a. s., within the framework of fulfilling their respective tasks arising from their membership in the UPU, regularly participate in the meetings of the permanent bodies of the UPU - the Council of Administration and the Postal Operations Council, where they promote the interests of the SR in the field of postal services. Currently, they attend these meetings only as observers, as the SR is not a member of these bodies. However, at these meetings, with the exception of the right to vote, they have the right to express their positions on the topics discussed. The SR also promotes its interests by participating in joint positions submitted to the permanent bodies by closer unions, such as CERP. As far as the specific interests of the SR are concerned, these reflect in principle mainly the societal and foreign interests of the SR towards the efficiency of the UPU and the quality of international postal services.

They also attend meetings of the UPU’s highest body, the Congress. In 2023, in accordance with UPU Resolution 12/2021, an Extraordinary Congress will be held to discuss proposals to open up the UPU to a wider range of postal stakeholders, as well as other pressing issues.

In accordance with UPU Resolution 14/2021, the Ordinary 28th Universal Postal Congress will be held in 2025. In particular, proposals to amend the UPU Acts - the Constitution, the General Regulations, the Universal Postal Convention and the Agreement on Postal Payment Services, as well as other strategic documents - will be discussed at this Congress.

The MT SR is also involved in the discussion of UPU issues within the closer UPU union, namely CERP, where it is a member of the Working Group UPU, as well as the Working Group Policy and the Ministries Group.

The MT SR will cooperate with the RAECPS, the USP and the MFEA SR in the preparation of joint positions on the proposals to be submitted to the Extraordinary Congress, in particular with regard to the issue of opening UPU to a wider range of stakeholders in the postal services sector, taking into account the interests of the SR in the provision of postal services and the US in particular, in accordance with the needs of the citizens of the SR in the preparation of the positions.

The MT SR will initiate the formation of a working group to discuss the proposals that will be submitted to the 28th Universal Postal Congress and to adopt common positions and positions that will be subsequently promoted at the Congress.

The MT SR will consider, in cooperation with the MFEA SR, the possibility of submitting to the 28th Universal Postal Congress the candidacy of the SR to the UPU bodies - the Council of Administration and/or the Postal Operations Council and, according to the conclusions, will ensure the possible steps necessary for the promotion of the respective candidacy.

The MT SR will ensure, in cooperation with the MFEA SR, the participation of SR representatives at the Extraordinary Congress of the UPU in 2023 as well as at the 28th Universal Postal Congress of the UPU in 2025, including the relevant credentials.

The MT SR will continue its active cooperation within the CERP working groups, in particular with regard to mutual coordination on issues related to the Postal Directive and UPU issues.

## 6. Conclusion

The current postal services market has moved significantly away from its traditional model due to external and internal factors, including the full opening of the market to competition, is much more penetrated and operates in synergy with other market forces. The postal market today represents a complex platform with active links to other neighbouring and downstream markets, operating by virtue of competition but also complementarity in certain segments of the economy.

A similar development is indicated by the Slovak postal services market, which also reflects the changing situation on the market, marked not only by the decline in volumes of shipments (especially letter shipments of the lowest volumes), the entry of new entities, new approaches and technologies, but also by the changing behaviour of users of postal services. This brings to the fore, among other things, the question of the timeliness and relevance of the current strategic and regulatory framework for the Slovak postal services market, which is based on and takes into account primarily the European legislation and the legal framework set by it.

The intention of the postal policy as a basic strategic document is thus to set the vision, basic objectives and direction of development in the postal services sector in the medium to long term, in an appropriate, objective manner and impartially from the ownership, property or other relevant rights and relations of the State, in the interest of creating uniform prerequisites for all entities operating on the postal services market. The material sets out the basic objectives for the provision of postal services and at the same time sets out the basic principles for their fulfilment.

## Sources:

- Report from the Commission to the European Parliament and the Council on the application of the Postal Services Directive (Directive 97/67/EC as amended by Directive 2002/39/EC and 2008/6/EC), COM(2021)674final
- Council Decision (EU) 2022/1327 of 26 July 2022 requesting the Commission to submit a study on the situation of the internal market of Union postal services, in particular regarding the application of Directive 97/67/EC of the European Parliament and of the Council, and a proposal, if appropriate, in view of the outcomes of the study
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