Prospective study on the future of the postal sector

Preliminary results (work in progress)

Presentation to the High-level Conference – On the need for a new postal services directive

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Study objectives and approach

- Study carried out by RPA and RAND for the European Commission
- The aim of the study is to support the European Commission in the development of a prospective assessment of the postal sector
- The specific objectives of the study are to:
  - Part 1: Define several future scenarios for the development of the European postal sector over the next 10-20 years, identify the key challenges and market failures, and map potential policy solutions; and
  - Part 2: Define a set of indicators that characterise the postal sector and develop a framework to estimate the impacts of changes to key variables.

Overview of the scenarios

- **Scenario 1 – The new normal (baseline):** Aspiration for progressive growth and innovation is hampered by megatrends. Progressive change is incremental at best and many existing trends continue.
- **Scenario 2 - Poly-crises escalate ('wild-card' challenge scenario):** Fracturing of the climate, markets and sociopolitical order put pressure on postal demand and operations from many angles.
- **Scenario 3 - Platforms redefine post:** Data-rich multinational tech platforms grow in size and scope, moving sideways into postal value chains and delivery markets.
- **Scenario 4 - Post-carbon discipline:** Environmental concerns are the primary consideration and drive accelerated greening and other measures to reduce the environmental impact.
- **Scenario 5 - Social value post:** Universal Service Provision (USP) is reconceptualised and USPs take on social functions.

1. New Normal scenario

Policymakers, citizens and the postal sector aspire to progressive growth and innovation, but global mega risks and technical challenges mean change across national postal sectors is incremental at most.

- A **cautious green transition** takes place against the backdrop of increasingly **frequent extreme weather events** and **general economic strain**.
- **Consumerism (and e-commerce)** are still the norm for most people.
- **Parcel flows remain strong** (B2C strong within Europe and from third countries).
- **Letter mail volumes are significantly reduced** (limited to a premium service and vulnerable consumers).
- The postal sector enters a phase of **accelerated integration and 'co-opetition'**, including more transnational operators and shared infrastructure.
- The rising net costs of USO (Universal Service Obligation) lead to **reduction in the scope of the USO**.

2. Poly-crises escalate (wild-card challenge)

Fracturing of the climate, markets and sociopolitical order put pressure on postal demand and operations from many angles.

- Climate tipping points trigger negative feed-back loops between **infrastructure degradation**, **economic shocks**, and **rising personal vulnerabilities**.
- Consumer caution punctuated by panic buying means **parcel demand is fluctuating**. Bulk letter services are maintained as a **'last-resort' communication network**.
- Member States shrink the USO to the minimum (e.g. slow C2C letters in scope, B2C parcels excluded) but **USP bail-outs** are still needed in some cases.
- Attempts to manage costs through restructuring of employment results in an **impasse between postal unions and operators**.

3. Platforms redefine post

Data-rich multinational tech platforms grow in size and scope, moving sideways into postal value chains and delivery markets. Both governments and postal operators follow suit to develop their own innovations.

- Intra-EU and extra-EU B2B, B2C, and C2B parcel flows are strong.
- Multinational **platforms** dominate parcel delivery and other parts of the postal value chain and beyond, developing into true **one-stop shops**.
- **Hyper-personalised** delivery prices, optimised package sizes, and delivery times displace one-size-fits-all services.
- **Mature eGovernment** and **narrowing digital inequalities** all but eliminate letter mail demand.
- Letter flows still the domain of Universal Service Providers (USPs).

4. Post-carbon discipline

Environmental concerns render zero-digit economic growth acceptable, resulting in step-changes in regulation, logistics, consumer norms and products.

- 2030 shocks **accelerate Green New Deal ambitions** – Europe on-shores markets, develops resilient infrastructure, and enhances carbon accounting and capping.
- **Accelerated greening** of the postal sector, resulting in a renewed commitment to universal service. Where slower, **USO derogations** such as reduced delivery frequency used to manage environmental impacts, e.g. bundle transport.
- Consumer-side measures – second delivery fees, eco-labels and broader rights to repair – **B2C and C2B parcel demand declines slightly**. Parcel flows from outside the EU fall faster.
- **C2C parcel demand** forms a greater share of the total parcel demand.

5. Social value post

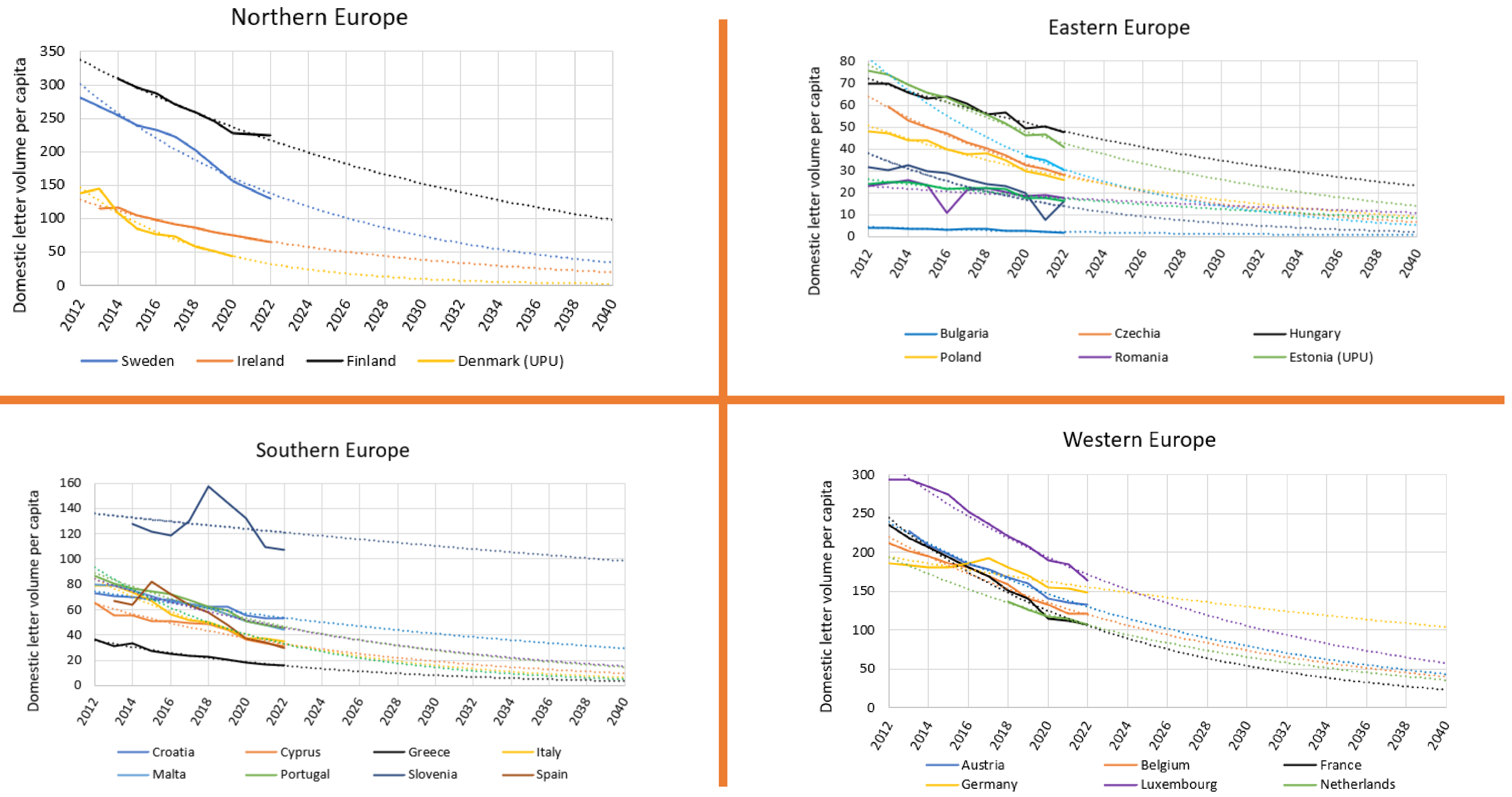
*A renewed consensus around **social value** positions Europe as an outlier on the global stage and leads to a new era of social policy and technology innovations. Universal Service Provision (USP) is reconceptualised and USPs take on social functions.*

- Financial instruments and subsidies for USPs broaden in many regions to enable them to take on additional responsibilities for **proximity 'Services of General Public Interest'**, where their legacy infrastructure and capabilities makes them well-placed to implement services such as e-government service outlets, food banks, co-working spaces, digital services, rights advice centres, etc.
- Social value ethos extends to **vulnerable communities and worker rights**, which are a priority in postal employment arrangements.
- Technological successes – big data enables widespread **optimisation of operations** for sustainability and resilience. **E-government is the norm** and very few Europeans do not have access to the internet – the digital divide narrows.
- Letter volumes are down. Parcel demand is high but flows are primarily intra-EU.

Indicators and quantification of the New Normal scenario

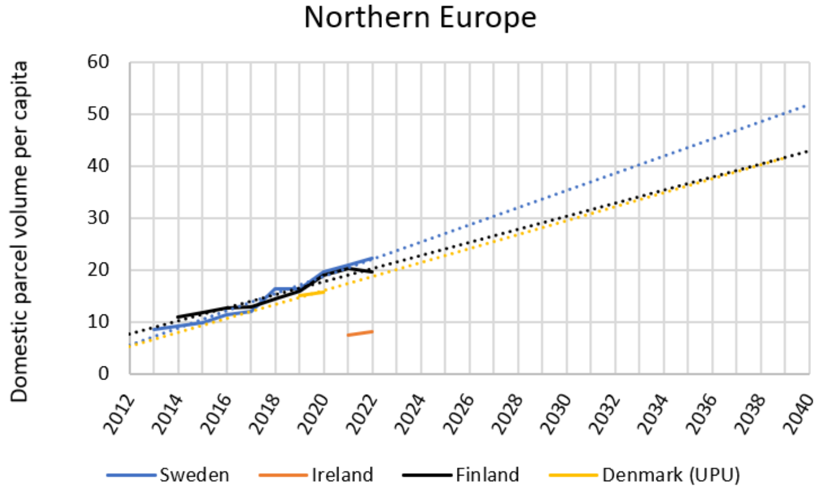
- Indicators - selected to characterise the postal sector.
- For example: demand (volumed), access and coverage (post offices, letter boxes, parcel lockers), quality (delivery frequency, speed, location), employment (no. employed, quality of employment), revenues/profits, etc.
- Start from extrapolation of historical trends in reported indicator data
- Compare forecast qualitative indicator trends/values from New Normal future with extrapolations
- Make ‘adjustments’ to extrapolations to obtain quantified estimates for indicators in the New Normal

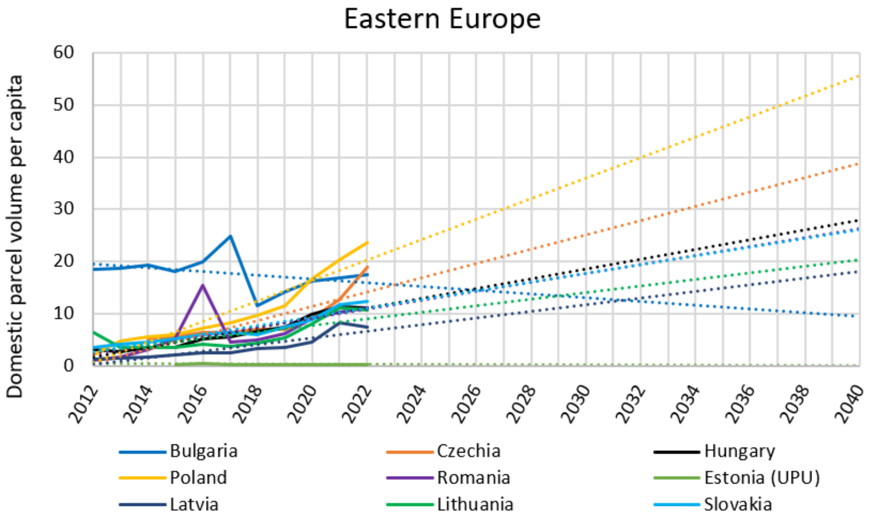
Demand – Intra-EU letter volumes per capita

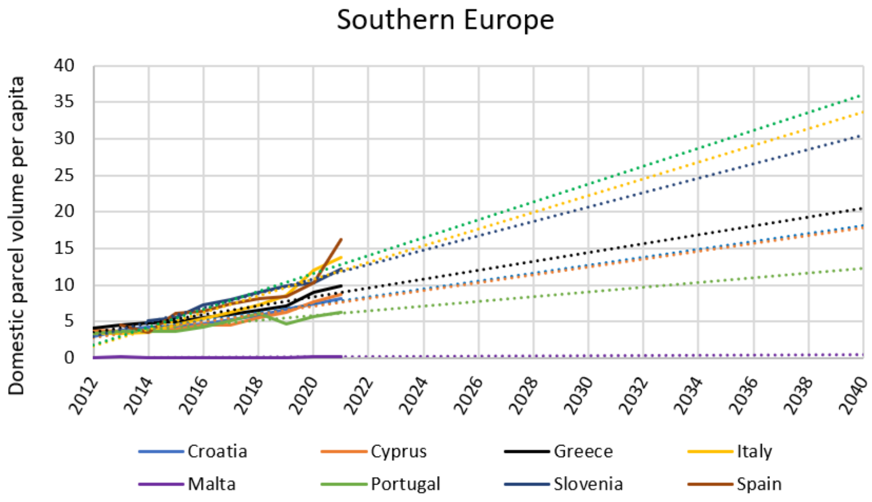


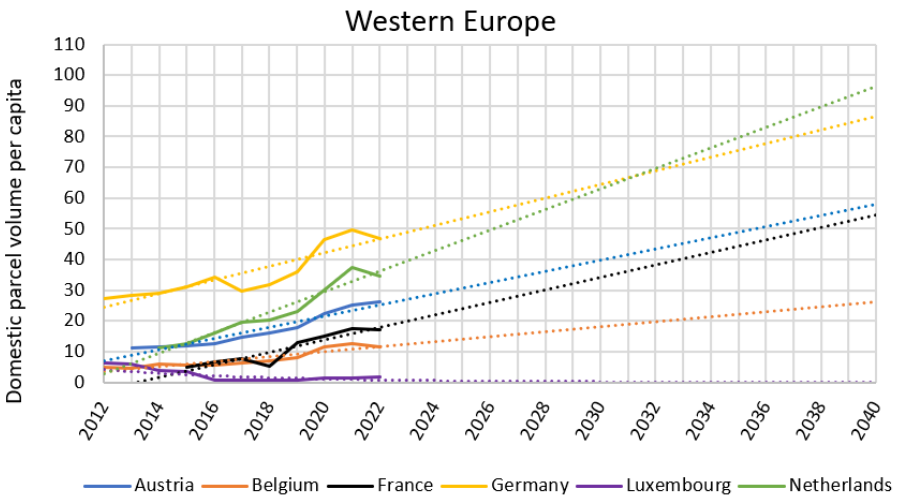
Note: extrapolation of past trends

Demand – Intra-EU parcel volumes per capita









Note: extrapolation of past trends