IV Analysis of the impact of gradual liberalization on the postal market in the Republic of Serbia

ABSTRACT

Postal services are guaranteed by the UN Charter to every citizen of the world as an inalienable right, obliging every country to ensure the provision of the universal postal service (UPS) nationwide, including secluded and sparsely populated ares. Questions regarding the UPS scope, quality and sustainability have become key issues and obligations imposed on the universal service providers (USPs). Universal postal service has its costs, therefore it is necessary to define how it is funded. Examination of possible sources such as the reserved area (on a partially liberalized market) or net costs (on a completely liberalized market), as well as other possible sources of funding of UPS as a service of general economic interest, is one of the tasks surpassing the national boundaries and facing the USPs, regulators, lawmakers and postal market players. In the Republic of Serbia, the UPS is funded from the scope of the reserved services (representing an exclusive right of the public postal operator (PPO), over which it has a monopoly, but which it simultaneously uses as a source of UPS funding).

The interest of end users being a priority and market liberalization being a prerequisite for Serbia's accession to the EU, the question is how to ensure UPS sustainability, while securing an overall development of the national postal sector.

Gradual liberalization is undoubtedly the best way to a total liberalization, along with a simultaneous preparation of the PPO to ensure quality UPS provision and carry out the procedure of separate accounting and income and cost allocation by service phases. This would ensure the UPS sistainability in the conditions of an imminent forthcoming liberalized market. The PPO's separate accounting shall enable insight into the „burdensome" costs of the UPS and show the actual net costs representing the base for the UPS funding in the majority of the European countries.

In the first chapter of the Study, the basic principles of UPS provision in the Republic of Serbia are shown. The only operator currently fulfilling the requirements regarding the number and distribution of access points available to users is the PE „Pošta Srbije". This company is also the USP in the Republic of Serbia, based on the license issued by RATEL. As far as postal volumes are concerned, UPS accounts for over 90% of items. On the other hand, on the income side, the commercial services, despite their relatively small share in the volume, account for almost 50% of the income.

In the second chapter, relevant national and international regulations governing the questions of universal service obligation (USO) and postal market liberalization are discussed. In the Republic of Serbia, the relevant legal framework for the provision of UPS, as well as other postal services, is given in the Law on Postal Services („Official Gazette of RS", Nos. 18/05, 30/10 and 62/14). Adoption of by-laws and relevant regulations is in the competence of the Ministry of Trade, Tourism and Telecommunications (MTTT) and RATEL. On the EU level, the postal services market is regulated by the Directives 97/67/EK (first Postal Directive), 2002/39/EK (second Postal Directive) and 2008/6/EK (third Postal Directive). Regarding the alignment of the Law on Postal Services with the EU Directives,

these regulations are predominantly harmonized. One main divergence consists in the presence of the reserved area, abolished in the EU.

In the third chapter, relevant parameters influencing the postal market development are shown and a comparison of the Republic of Serbia with other countries is made, whereby improvement trends in the postal sector have been observed. In this part, the volumes of letter-post and parcel-post items, both before and after the liberalization in the selected European countries, were presented. Subsequently, the correlation coefficients of mail volumes in each of the observed countries with Serbia were calculated. Finally, a methodology presenting compatibility coefficients of the countries, i.e. measuring the similarities between the observed postal markets with the market in Serbia, was proposed. This methodology has taken into account letter-post and parcel volume trends, ratio between the BDP rates of the selected countries and Serbia, GDP correlation coefficient of the countries in question and Serbia, ratio between the volumes of letter-post items per capita of the observed countries and Serbia and the amount of postal charge for the first weight category letter. The analyzed countries were classified according to the mentioned methodology, with Croatia being the most similar to Serbia, based on the used parameters.

In addition, the third chapter also contains an analysis of postal market development trends, carried out by measuring the efficacy and productivity in 30 public postal operators in Europe. The following trends were observed in the analyzed period 2003-2016: the number of PPOs’ employees decreased by 9.47%; the postal network, in terms of number of post offices, remained relatively stable, with nevertheless a slight drop by 2.01%; the volume of letter-post items is in decline by 24.17%; the volume of parcels is on the rise by 39.39%; costs and revenues grow at a similar rate, with an increase in the revenue being slightly dominant, 30.66% against 29.94%. Investigation of the reasons of productivity change has shown that postal market liberalization has a positive impact on the productivity of the observed PPOs.

In the fourth chapter, the projection of the postal market in the Republic of Serbia is carried out, according to the reserved area regions. The projection of the total volume and income on the postal market in Serbia was given, including the number of operators and new employees. The trend in the PPO and private operators’ volume and income ratio was presented, including the the PPO’s and private operators’ volume and income ratio regarding the sum of commercial postal services and private operators’ services. Special attention was paid to the volume and income ratio of the UPS and items up to 100 and 50 grams. Based on the calculations, it was assumed that no significant volume and income decrease related to the UPS is expected in the scenario where the reserved area is to be decreased from 100 to 50 grams per weight and from the three-fold postal charge amount to a 2.5-fold one. In the analysis of a third scenario – that of the reserved area being abolished, the other countries’ experiences, where markets are already liberalized, were considered. As far as letter-post items are concerned, it was observed that liberalization had a negative impact on the volume growth by only 1.11% (drop in the volume of letter-post items) in the three-year period following the liberalization. On the other hand, despite parcels not belonging to the reserved area, significant drop in their volume was observed after the liberalization. Volume decrease as a result of liberalization is 16.20%. A possible explanation to this is that the liberalized market by itself attracts new investors and they are already more interested in parcels than in letter-post items, due to an expected higher income.

In the fourth chapter, possible net costs in the Republic of Serbia during 2016 were also assessed. Based on the analogy with the Republic of Croatia, which had previously been identified as the most similar country to Serbia, it was concluded that the USP in this country should be reimbursed net costs in the amount of 1,178,125,603.00 RSD for an unjustified burden in the circumstances of a totally liberalized postal market in the Republic of Serbia.

In the fifth chapter, possible models of UPS funding were described and methodology for UPS funding selection using different methods was proposed. In the given example, the proposed methodology suggested the „pay and play“ model as the best solution.

In the sixth chapter, recommendations for a more optimal regulation as a prerequisite for the development of the postal market in the Republic of Serbia were given. The main challenges in the functioning of the postal market are preservation of UPS, existence of fair competition and protection of users, i.e. all interested parties.