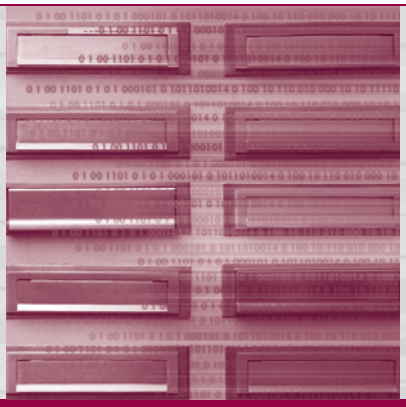
TAB OFFICE OF TECHNOLOGY ASSESSMENT AT THE GERMAN BUNDESTAG

POSTAL SERVICES AND MODERN INFORMATION AND COMMUNICATION TECHNOLOGIES



TAB-Fokus no. 2 regarding report no. 156 February 2014

Summary

- The letter mail volume has been declining globally for some years, in part due to the increased use of electronic communication means.
- In Germany, the number of letters could decrease by up to 29% between 2010 and 2020.
- This poses the policy-relevant question of whether the universal postal service, which guarantees a postal service of the same quality for all citizens throughout the whole territory, can be maintained at the current quality level.
- There are, on the one hand, options for policy action within the existing European framework legislation; on the other hand, completely new regulatory models, which address physical, electronic and hybrid communication systems in an integrated way, also need to be discussed.

Structural change in the letter market

Even though the formerly state-owned German postal service Deutsche Post was gradually privatized from the 1990s onwards and has been in competition with other postal companies in the letter mail segment since 2008, the federal government still has a **duty to guarantee universally appropriate and adequate postal services**. This universal postal service is based on article 87f of Germany's Basic Law and is further specified in the Postgesetz (PostG – Postal Act) and the Post-Universaldienstleistungsverordnung (PUDLV – Universal Postal Service Ordinance). The Postal Act requires the legislator to **adapt** the specifications for universal postal services **to technical and social changes in line with demand**. As a matter of fact, substantial technical and social changes have taken place in recent years and decades. The internet, in particular, has opened up completely new means of communication which are intensively used by large sections of the population and which are greatly influencing the volume and nature of communication by letter.

In the Postal Act, a **letter** is defined as an addressed, physical and written communication. However, this **legal definition** fails to fully capture the actual diversity of forms of use of letters and the services associated with letter delivery. Letters are also used, for instance, as means of conveying objects of small size and low weight. There is further a range of letter variants which include additional services beyond straightforward delivery. These include registered letters, consignments of valuables, Cash on Delivery (COD) consignments, and formal servings of legal papers. Furthermore, identification services can be provided, for instance on behalf of banks. Finally, postmen/women also deliver books, newspapers, magazines and catalogues, as well as addressed and non-addressed direct mail, sometimes even parcels.

At the heart of the study is the structural change of the letter market (the segment requiring an operating licence) since it appears to be the postal service most threatened by electronic communication services. In contrast, the parcels market is seeing significant growth as a result of the expansion in e-commerce.

E-Substitution

Electronic substitution depends to a large extent on the quality of the new options offered by the networked data infrastructure and electronic communication services. Although the internet is widely available in society, it is not ubiquitous: more than 20% of the population do not use it. For the 80% who use the internet, exchanging e-mails is the second most frequent use case – the first is the use of search engines.

Client

Committee on Education, Research and Technology Assessment
+49 30 227 32861
bildungundforschung@bundestag.de

Topic initiative

Committee on Economic Affairs and Technology

Not all physical letters can be substituted. Whether the letter can be substituted by electronic communication services depends on a range of technical and other factors:

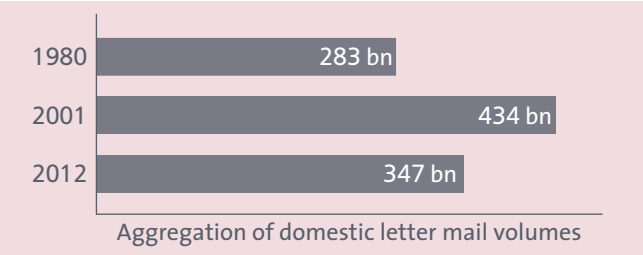
- Can that which is to be sent by letter be digitized?
- Do the available electronic mailing forms meet statutory or professional usage requirements (requirement for the written form, confidentiality, traceability, retention obligations)?
- Are the technical and organizational basic requirements for universal electronic delivery to households and persons in place, and are the latter willing and able to use electronic forms of mail?
- Is the expected media effect on the customer intended by the sender, e.g. with regard to advertising, sufficiently high when using electronic letters?
- Is the speed of delivery an important requirement?
- How important is the further use of received electronic mails in document management systems and electronic workflow?
- How important are environmental and social aspects in the decision on mailing forms?

Of course, the use of electronic communication means has an impact on the sending of letters. A **negative overall balance for the letter** can be expected or can even already be observed.

Hybrid Mail

»Hybrid mail« would offer a **seamless transition between the world of the physical letter and digital communication services** and between »onliners« and »offliners«, i.e. those in the population who do and do not use electronic communication means. Communications could, for instance, be sent electronically, then printed and physically delivered by the postal service provider. Conversely, physical letters could be scanned and electronically mailed not just to the consignee address but could be made accessible anywhere via the internet. Although such hybrid services are available in Germany, they have mainly been used to date by large-scale senders of letters for their business mail.

Development of letter mail volume worldwide



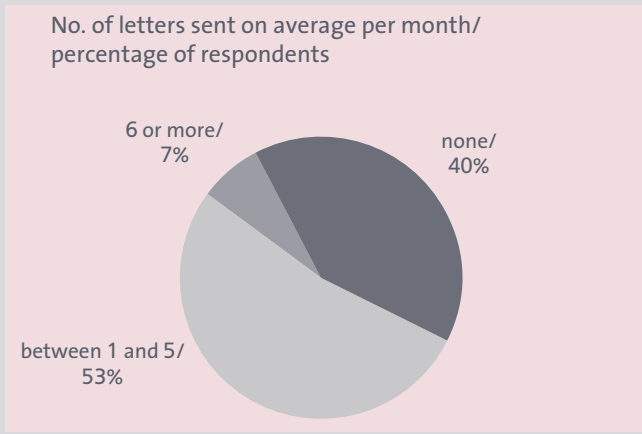
Universal postal service

EU law usually defines a framework giving member states of the EU some freedom of implementation. The universal postal service in Germany is based on **EU law that has been implemented in national law (PostG, PUDLV).**

The universal postal services include the carriage of letters (up to 2 kg), parcels (up to 20 kg), and newspapers and magazines. The conveyance of letters in the universal postal service also includes registered letters, consignments of valuables, cash on delivery consignments, and express deliveries.

The German regulations provide for the following in particular:

- **Letterboxes** must be accessible in contiguously developed residential areas at a maximum distance of 1 km.
- At least 12,000 **stationary access points** for postal services must be available.
- 80% of all letters must reach the recipient **on the first day after shipment** (E+1) (though this does not apply to mass mailings).
- Letters must generally be delivered to the **street address**.
- Delivery must be made at least once **every working day** (from Monday to Saturday).
- The rates for letters are monitored and approved by the Federal Network Agency. Only **one geographically uniform postal rate** is permissible for single letters.



And what do the general public think?

A **representative survey among the general public** was conducted as part of the TA project in early 2012. The issues addressed in the survey included the importance of postal communication, the use of conventional and electronic communication means, and an evaluation of the elements of the universal postal service.

40% of those surveyed stated that they **send practically no letters**. Communications from private persons to private per-

Development of the mail volume

A long-term comparison of the global letter mail volume (i.e. the individual domestic volumes) reveals significant national and regional differences, but also common trends. The **highest level** was attained in **2001** with 434 billion letters. Eleven years later the letter volume had fallen by 87 billion or 20% to 347 billion.

Sales revenues from letter mail business in **Germany** declined by 16% between 2000 and 2012, while the **number of letters** continued to rise until 2007, though it then fell by 8% until 2009. Since then – in contrast to international trends – they have stabilized again. With regard to the positive development up to 2007, the rise in addressed direct mail played a role, which was aided by increasing competition and by Deutsche Post's associated price reductions for business customers.

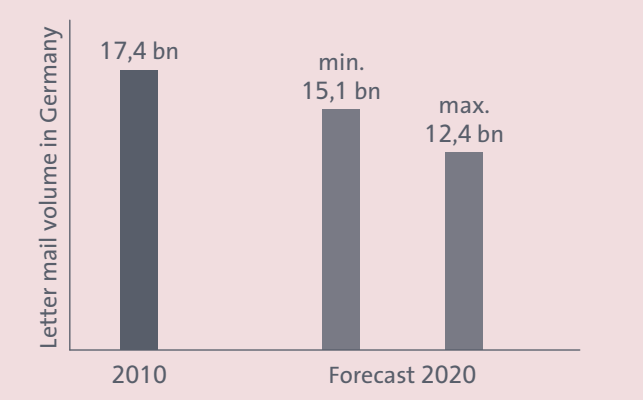
For the purposes of **modeling the changes** in letter volume in Germany from **2010 to 2020**, the letter market was divided into five segments. The proportions of these letter segments in the total mailing volume in 2010 were:

- 7.2% private letters to any recipients,
- 14.0% business letters to companies,
- 32.6% business letters to private customers,
- 35.5% addressed direct mail (»mailings with identical content«), and
- 10.7% press mailings (subscription newspapers and magazines plus membership- and advertising magazines).

The modeling of results for 2010 to 2020 did not show a positive change in volume for any of the letter segments studied. The lowest losses are expected in direct mail, and the highest for business letters to companies.

The expected annual rate of change between 2010 and 2020 for the national letter mail as a whole is between -1.4 and -3.4%. For the minimum variant, this represents a 13% reduction in volume, and a 29% reduction for the maximum variant.

Modeling of the change in letter mail volume in Germany



Modifications to the universal postal service within the EU postal services directive

Overall, there is a broad range of options for action to respond to the reduction in volume and the resulting threat of erosion of the universal service. Action is primarily required at present by the **postal companies**, which need to adapt their **business strategies**.

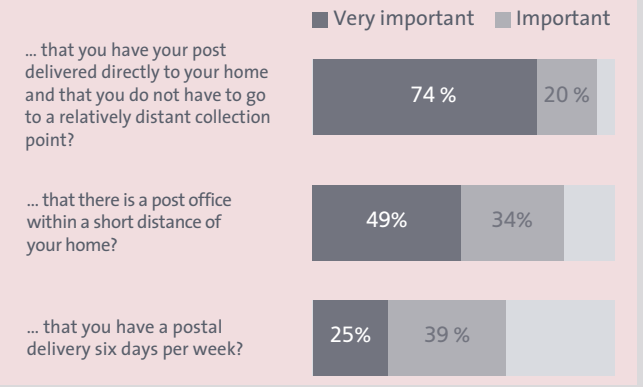
Parliament and Government have **considerable options for action** at the national level regarding the European legal provisions. Since a drastic decrease in the letter mail volume is not expected in the short term, but rather medium-term reductions in volume, there is still time to prepare the necessary modifications thoroughly and to include experts, relevant stakeholders and the public in in-depth discussions.

Under the specifications of the currently valid EU Postal Services Directive (97/67/EC in the version dated 27 February 2008), parliament and government are provided with a range of graduated options for adapting the universal postal service and its financing to reduced letter volumes, for example by lowering the requirements relating to the number of stationary access points (mail centers, letterboxes) or the letter delivery times. The EU directive also allows a reduction in the number of delivery days from

sons are now sent electronically by 65% of those surveyed. In this letter segment, the physical letter has therefore already been **substituted to a significant extent**. With regard to letters sent from private persons to businesses or authorities, the conventional letter still dominates (60 and 84%, respectively). 78% also prefer delivery by post when it comes to receiving business mail.

Among the stand-out features of a universal postal service, the delivery of letters to the home received a high approval rating (74% »very important«).

How important is it to you ...



the current six days to five. Five days are already the standard in 18 European countries. The EU directive would also permit a differentiation in the postal rates as a function of distance.

If there were an intention to move away from complete, nationwide coverage in respect of letter deliveries and deliveries to street addresses or to reduce the number of delivery days to fewer than five, the EU Postal Services Directive would have to be amended.

Redesign of a universal postal service to include electronic communication technology

Even at this stage, however, it is worth thinking outside the current European and national universal service regulation and taking account of the potentials of electronic communication media. Two proposals in this regard can be found in discussions in expert circles: firstly, extending the universal postal service to include secure mail, and, secondly, establishing an integrated universal service for mail and telecommunications.

With regard to the proposal to **extend the universal postal service to include secure e-mail**, the key issue is a guarantee of the freedom to choose between a conventional and an electronic letter. Both the sender and the recipient would have to have a free choice of the communication medium. The already available hybrid mail services demonstrate that this is possible. If this freedom of choice were guaranteed, there would be no risk of excluding certain groups within the population from letter communication, for instance, those without internet access.

With regard to the second proposal for an **integrated universal service for mail and telecommunications**, two basic connections to cover the whole issue of bridging the distance are assumed:

- physical connections for letters of any type from anywhere to anywhere,
- digital connections for signals from anywhere to anywhere.

TAB report no. 156

Postdienste und moderne Kommunikations- und Informationstechnologien

Ulrich Riehm, Knud Böhle

Webpage of the project
www.tab-beim-bundestag.de/en/research/u10100.html

Project manager and contact
Ulrich Riehm
+49 721 608-23968
riehm@tab-beim-bundestag.de

The proposal for a uniform universal service refers to a general discussion about making **regulation** in the media field as **technology-neutral** as possible. A practical implementation of a technology-neutral regulatory system is difficult because it implies a more or less radical break with the regulatory regime in place up till now. It would therefore be worth considering whether different forms of flexible delivery arrangevvments – with physical connections for letters and digital connections for signals – should be trialled and evaluated first in regional **model trials** using an integrated universal service regulatory regime.

The Office of Technology Assessment at the German Bundestag (TAB) is an independent scientific institution which advises the German Bundestag and its committees on questions of scientific and technological change. TAB has been operated by the Institute for Technology Assessment and Systems Analysis (ITAS) of the Karlsruhe Institute of Technology (KIT) since 1990. It has been cooperating with the Helmholtz Centre for Environmental Research – UFZ, the IZT – Institute for Futures Studies and Technology Assessment and VDI/VDE Innovation + Technik GmbH since September 2013. The Committee for Education, Research and Technology Assessment decides on TAB's work programme, which also includes subjects proposed by other parliamentary committees. The standing »TA Rapporteur Group« consists of one member from each of the parliamentary parties: Dr. Philipp Lengsfeld (CDU/CSU), René Röspel (SPD), Ralph Lenkert (Die Linke), and Harald Ebner (Bündnis 90/Die Grünen) and the Chairwoman of the Committee, Patricia Lips (CDU/CSU).