

Cullen

Modernisation of the postal universal service: is Denmark a precedent or an outlier?

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postnord

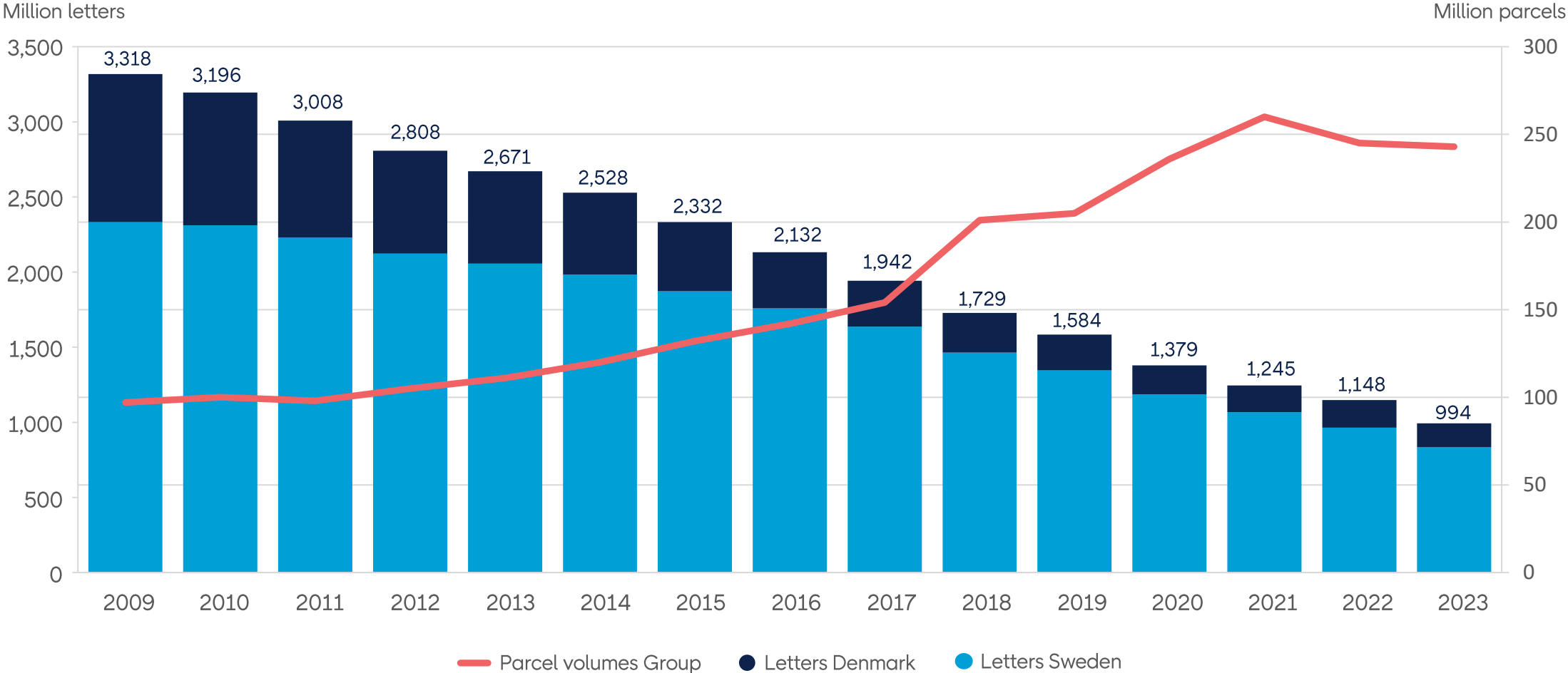


PostNord – a Nordic company

PostNord has a leading position in the Nordic logistics and parcels market, thanks to our comprehensive offering and extensive network, both geographically and in terms of partnerships.



PostNord Group performance regarding mail and parcel volumes



We are on a journey

- The mail business has been central to us and is important for the success of the parcel business
- The mail business has successfully adapted its revenue and cost model, but with continued declining mail volumes due to the digitalization the future for the letter business is limited
- At the same time, we need rapid growth in our parcel business, and we are in a highly competitive market
- Our history in the letter market does not give us a right to exist in the parcel market so it is a very hard transformation journey we are on





100%

**of Danes know
PostNord**

74%



**are satisfied with our delivery
when they send a letter**

82%



**have received a parcel from
PostNord within the last three
months**

The New Postal Act - The Process

- The desire for a new postal agreement has been a long time in the making
- First meeting was in the summer of 2018 with the Ministry of Transport on the content of a new postal agreement
- The original agreement was extended a number of times since due to a lack of political will to conclude a new agreement
- Payment for the provision of the universal service obligation has been established since the expiry of the original agreement in 2019 and up to and including 2023
- The new Postal Act is based on a political agreement of 27 June 2023
- The new Postal Act was adopted by the Danish Parliament on 30 November 2023
- The new law came into force on 1 January 2024 with 1 month for us and the market to implement



Consequences of the new Postal Act

The domestic universal service obligation has been abolished. The market is expected to provide the nationwide postal service

Nationwide postal companies must offer a standard product at uniform prices to the whole country within the services and quality they offer

PostNord uses the flower model and deliver letters once a week to the households where there are letters to deliver

Latest figures show that a household receives one letter a week in average

The decline in the letters has been around 10 – 15 % per year, but from 1 January 2024 going up to 20 – 22 %



Status

- We have been appointed to take care of postal service for the blind, items to the smaller islands and international mail for a transitional period of up to 1 year to the end of 2024. We get compensation for the service we provide
- The first call for tenders was for items for the blind and our competitor DAO won the tender
- Tenders for the other areas will follow
- We have withdrawn 1000 letter boxes and have now 1500 letter boxes left
- The price for single piece items and association magazines has been raised dramatically.
- The price for single piece items has increased from DKK 12 to DKK 25, VAT is charged on all items not subject to universal service
- Stamps for international mail are still subject to universal service and thus free of VAT



Hans Peter Nissen CEO, DAO

Next steps

- We have earlier stated that it will take 12 to 24 months to transform the business to the new reality and the law has only been into force for 9 months
- It is far to early to draw any general conclusions of success of the new postal act
- We will stay in the mail business market as long as we have a commercial interest in doing so
- Our future in the long run are in the parcel marked
- And just to underline our point of view; there is even less need for regulation in the parcel market then in the letter post market

