A note on “postal consumers’ needs” and their role in postal regulation.

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Introduction

– in the debate on postal regulation, it is *often referred to* «*postal consumers’/users’ needs*»

– however, *the notion remains fuzzy* is most cases

– «*changing user needs*» VS. «*core set of user needs*»? (ERGP 2016)

– the definition of the notion has an *important impact* on future regulation

– *more clarity* needed
Current debate on postal USO-regulation in Europe ...and the role of user needs

  – universal service “shall evolve in response to the technical, economic and social environment and to the needs of users”

– ERGP 2016
  – “Universal Services in light of changing postal end users’ needs” – review of many country-specific studies

– Study “user needs in the postal sector” in the making (WIK)

– ERGP 2018
  – “a rethinking of the basic definitions and concepts is needed.” (ERGP, 2018)

– Contribution: rethink “users’ needs” and bring clarity to the debate
«Needs» and «preferences»
Definitions from Oxford dictionary

**NEED**

“require (something) because it is essential or very important rather than just desirable.”

**PREFERENCE**

“a greater liking for one alternative over another or others.”
Why establish postal USOs in the first place?
And what role have «user needs»?

1. Externalities
   - network effects
   - post as a public good
   - ("social value")

2. Redistributive goals
   - urban/rural; business/private; young/old («social policy»)

→ Postal regulation can be justified without reference to user needs!
→ User needs are only relevant indirectly (when they involve externalities)

This has been forgotten.

There are two concepts of «user needs» in the debate

Concept 1: needs as *preferences or state-determined needs* (*social policy*)

− «which USO-attribute is how important to consumers?» *(preferences)*
− «who would suffer most from changes in the USO?» *(social concerns)*

Concept 2: needs as *fundamental communication needs*

− «what fundamental need do postal services serve?»
− «what other technologies serve these needs?»

In practice, both concepts are frequently mixed-up
Concept 1: «Needs» as preferences/state-determined needs (social policy)

– Usage
  – ranking of USO-attributes with respect to loss-aversion (preferences)
  – show who would suffer from USO-scope reductions

– Purpose
  – efficient management of the «winding-down process» of USO-regulation
  – protection of user groups («vulnerable consumers»)

– Link to USO-origins
  – social policy: protect consumers from too fast changes (needs are state/path/habit-dependent; «vulnerable consumers»)
Concept 1 in consumer theory: needs as a result

- "needs" change with consumer choice
- preferences are not separable from needs

"legacy regulation"
Concept 1: Problems

− status quo bias
  − because “needs” are determined based on actual consumer choice
  − “needs” depend on current regulatory framework (rather than the other way round)
− often measures preferences instead of needs
  − but people always have preference relations
− endogeneity of new technologies neglected
  − is a high-quality and affordable post an obstacle to a higher internet penetration!?
− regulation becomes expensive and potentially inefficient
  − USO costs per vulnerable consumer per year:
    − Norway: EUR 1’260-2’170 (Copenhagen Economics)
    − Switzerland: EUR 4’300 (own estimate)
Concept 2: «needs» as fundamental communication needs

– Usage
  – describe fundamental drivers of communication

– Purposes
  – review postal USOs without status-quo bias («greenfield»-approach)
  – assess broader (cross-sectoral) policy questions

– Link to USO-origins
  – refers to externalities (network effects): communication needs as societal needs
Concept 2 in consumer theory: needs at the start

- needs initiate the process of consumer choice
- preferences and needs can be clearly separated
Concept 2: «needs» as fundamental communication needs

–The myth of «changing user needs»

Technological advances have reduced the cost of using digital communication
Conclusion

— Two distinct concepts of «postal user’s needs» are frequently mixed-up in the debate
  — Concept 1: Needs as preferences or state/habit-dependent needs
  — Concept 2: Needs as fundamental communication needs

— Concept 1 has been prominent, but
  — only helps to inform the «protracted winding-down process» of postal regulation («legacy regulation») and to protect consumer groups
  — is highly status-quo biased and leads to expensive, reactive regulation

— Concept 2 will become more important as
  — postal USOs become unaffordable and inefficient
  — new technologies become better substitutes for postal services
  — (the ERGP should use this concept in its “greenfield”-approach)
Thank you.

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