

Question 1:

**What do you think about the regulatory segmentation, based on the variable "weight"? What developments do you suggest? Based on what references or what reasoning?**

A regulatory segmentation based on variable "weight" is rather simple but just theoretically and de jure correct. Management of processes based on variable "weight" de facto is impossible, since it is based on average calculations and not on actual presence of a postal item in the process.

Preference for regulatory segmentation should be much more in the context of product-market combinations like letters/consumers, parcels/business, etc. This is much closer to operational as well as commercial management issues and reflecting the real world. Regulation should be a target in itself, but related to what is happening in the market.

A good tool for calculation of costs in this context is the use of an Activity Based Costing system.

Question 2:

**What is your assessment of the relevance and the usefulness of the introduction of the format in the pricing?**

It is important to realize that tariff structures across Europe in a lot of countries until today more or less still are based on structures developed in the nineteenth century. Format, weight and distance in those days were very much driving the costs, and thus tariffs as well, since the postal system was 100% manual and transport was based on horse capacity. Horse and man power were the most important costs and cost drivers in those days. Furthermore collection, sorting, transport and delivery most of the times were done by one and the same person. Maybe most important was the fact that prizes were set by governments and parliaments and were very much driven by emotion. It is for that one and only reason that in some countries until today minimal (subsidized) tariffs are used for magazines and news papers. Of course from a logistics point of view this is nonsense.

Of course the introduction of format in the pricing seems to drill down to a more accurate way of pricing the services. Moreover this seems to be correct since format in some stages in the logistics process is one of the cost drivers, but not the one and only.

At the same time it is very important to realize, that when the differentiation of tariffs is based on more than one different elements, the costs of complexity enhance. Related to that also the chance of making mistakes in using the wrong tariffs rises, plus the generation of extra costs for the control of the use of the correct tariff ending up in extra costs for collecting money in case of wrong amounts of stamps on postal items.

To avoid extra costs of complexity for example in the Netherlands this is the main reason, that single item national parcels within the USO just has one (!) tariff for all parcels up to 10kg. Parcels outside the USO with value added services only have two (!) tariff ranges: 0-10 kg and 10-30 kg. In fact these are flat rates in the market.

More differentiated tariffs in the Netherlands only are used for bulk mail. In the costing model behind this a relation is assumed to both weight and format, but reflected in a price table with just weight steps, whereas the assumption for the mail sender generally speaking is simple: more weight means also a greater format.

Question 3:

**What are your comments about the evolution of these indexes?**

These indexes could be true for La Poste, i.e. no comments on the presented values.

For sure indexes like these will differ from one postal operator to another, very much depending on for example the level of automation, the efficiency of the process, etc.

In the Netherlands no such indexes are used.

Question 4:

**What improvements would you suggest to this modelling? In particular, could you cite studies or available references for that purpose?**

To enhance the quality of the output it is very important to minimize estimations on the input side of the cost model. Facts are always better than the derivatives of functions.

It is, for example, much better to use a database containing the full topology, geography and demography of all delivery points and delivery routes in the country, then deriving from the economic literature on the postal sector. It is just a matter of the level of ambition to reach.

Question 5:

**The analysis shows that the allocation of common costs in two successive steps is not based on perfectly homogeneous assumptions. What do you think of improvements or proposed alternatives?**

See the answer given at question 4.