

REPORT

regarding the outcomes of the assessment analysis on the tariffs
charged by The National Company "Romanian Post" (CNPR)
for the services within the scope of universal service
processing intra-Community postal items

I. Introduction

On 18 April 2018, the European Parliament and the Council adopted Regulation no. 2018/644 on cross-border parcel delivery services (hereinafter referred to as *the Regulation*), for the purpose of improving these services, including as regards the affordability of tariffs charged by universal service providers on small and medium sized enterprises, respectively on natural persons. Generally, universal service obligations in respect of tariff regulation for services within the scope of universal service are laid down by means of the provisions under art. 12 of Directive 97/67/EC on common rules for the development of the internal market of Community postal services and the improvement of quality of service, with the subsequent amendments and completions (hereinafter referred to as the 3rd Postal Directive). According to these provisions, the tariffs of services within the scope of universal service, charged by the universal service provider, are regulated by the national regulators so as to observe the following principles:

- tariffs must be affordable,
- tariffs must be geared to costs and enable the effective provision of universal service,
- tariffs must be transparent and non-discriminatory;
- Member States may decide that a uniform tariff should be applied throughout their national territory, which does not exclude the right of the universal service provider(s) to conclude individual agreements on special tariffs and conditions.

Unlike domestic tariffs, the tariffs charged for the cross-border parcel delivery have a greater market impact, as they affect the universal service providers and users both in the originating Member State and in the destination Member State, among others.

The Regulation complements the provisions of the 3rd Postal Directive as regards the single-piece tariffs charged for the delivery of cross-border parcels within the scope of universal service and provided in the Annex to the Regulation. This analysis is based on the tariffs collected based on art. 5 of the Regulation, according to which all cross-border parcel delivery service providers under the obligation to report information shall provide the national regulatory authority with the public list of single-piece tariffs applicable on 1 January of each calendar year for the delivery domestically and within the EU. That information shall be provided to the regulator by 31 January of each calendar year, the latter sending them to the European Commission (CE) no later than 28 February of the same year.

Subsequently, overall information aggregated by the Commission shall be published on a dedicated website by 31 March of each reporting year, so that all the data sent by the regulators could be accessed by means of this online application. This instrument contains the modules required both for collecting and aggregating the data according to art. 5 of the Regulation, and for identifying the tariffs to be subject to an assessment analysis in accordance with the provisions of art. 6 of the above-mentioned normative act. Taking into account – among others – a series of elements pre-set by the respective detailed provisions (see Chapter III of this Report), analysis is structured by two stages, which are mandatory:

- 1) art. 6(1) – identify tariffs, for each of the single-piece postal items listed in the Annex to the Regulation, that are susceptible to being unreasonably high;

According to the provisions of the Regulation, and as mentioned in the EC Guidelines¹ issued in order to clarify the implementation phase of this Regulation for the Member States, the cross-border parcel delivery tariffs within the scope of this analysis are exclusively those which are subject to the universal service obligation and which the Regulatory Authority objectively considers necessary to assess. To this end, the Regulation suggests the use of an objective pre-assessment filter mechanism, for prior analysis, to be applied with due regard the principle of proportionality, so that the assessment process set out in art. 6(2) and art. 6(3) should not be duplicated. According to the EC Guidelines, the purpose of this mechanism is to provide objective indications for determining the range of tariffs that can be easily identified based on the information available pursuant to art. 5, as well as those tariffs that are likely to be unreasonably high, prior to a detailed assessment according to art. 6(2) and art. 6(3). The present document also takes into

¹ COMMUNICATION FROM THE COMMISSION COM (2018)838 on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263

consideration the EC recommendation - based on the analysis in the ERGP (18) 36 Report² - of using a pre-assessment filter mechanism relying on a list of cross-border delivery tariffs charged in all the EU Member States, for each category of items in the Annex to the Regulation. With a view to supporting the Regulatory Authorities, the EC acted towards implementing the proposed pre-assessment filter mechanism by means of the dedicated website, thus ensuring both tariff correction in accordance with the data regarding the purchasing power parity, and a ranking of the highest tariffs for each service under scrutiny. Thus, the tariffs shortlisted by this pre-assessment filter mechanism as susceptible to being unreasonably high are automatically fed into the second stage of the analysis.

2) art. 6(2) – analysis of the tariffs shortlisted in the first stage, in order to identify the cross-border parcel delivery tariffs considered to be unreasonably high.

The provisions of art. 6(2) in the Regulation set out four essential elements which the regulatory authorities must pay special attention to in the assessment of the single-piece tariffs charged for the cross-border delivery of parcels under universal service obligations. Since they are not ranked by importance, the analysis process must take into account all these elements. In addition to these, the provisions of art. 6(3) identify two optional elements that could be used in this analysis.

Regarding the information on the postal items mentioned in the Annex to the Regulation, ANCOM has carried out the stages of collecting data from the postal service providers, the data being reported/sent to the EC by means of the dedicated online application no later than 28 February 2019.

II. Results of applying the pre-assessment filter mechanism

According to recital 25 of the Regulation, the national regulatory authorities can, when identifying which cross-border tariffs it is necessary to assess in detail, base their identification on an objective pre-assessment filter mechanism, in order to reduce the administrative burden on the national regulatory authorities and on parcel delivery service providers subject to the universal service obligation.

Although the implementation of this filter mechanism is up to the national authorities, for a consistent approach at the European level, the EC suggests – by means of the Communication – a flexible solution for the mechanism implementation, so as to take into account the market developments.

Moreover, given that this mechanism has already been implemented by means of the application made available by the EC, ANCOM deemed useless to duplicate this whole process by a thorough analysis, mirroring the one generated through the above-mentioned application, and even found – by random checking – that the results published by the EC match the ones calculated by ANCOM. However, analysing the data reported by the universal service providers in the Member States one can see that some of these providers do not have corresponding data available in the overall database aggregated by the EC using the

² ERGP Opinion for guiding the European Commission on the assessment of cross-border single-piece parcel tariffs provided in Article 6 of the Regulation

dedicated reporting application. Therefore, the lack of relevant information may imply the assumption that the pre-assessment stage of filtering the tariffs reported by the universal service providers could yield inconsistent results.

Nevertheless, the analysis of the available data revealed that some of the tariffs charged by the National Company "Romanian Post" (hereinafter referred to as *CNPR*) for the cross-border delivery of letter post items and postal parcels should be included in the assessment process. This preliminary analysis reveals that for some categories of items or, in some cases, only for certain destinations within the same category, *CNPR* charges among the highest 25% of the tariffs levied by universal service providers in the EU³ after applying the correction of these tariffs with data regarding the purchasing power parity. Therefore, the conclusion of this analysis is summarized in the table below:

No.	Single-piece postal items	Tariffs SUSCEPTIBLE to being unreasonably high	Tariffs NOT SUSCEPTIBLE to being unreasonably high	Remarks
1.	a 500 g standard letter		X	
2.	a 1 kg standard letter		X	
3.	a 2 kg standard letter	X		
4.	a 500 g registered letter		X	
5.	a 1 kg registered letter		X	
6.	a 2 kg registered letter		X	
7.	a 500 g track and trace letter	n/a		Outside the scope of universal service
8.	a 1 kg track and trace letter	n/a		Outside the scope of universal service
9.	a 2 kg track and trace letter	n/a		Outside the scope of universal service
10.	a 1 kg standard parcel	X		
11.	a 2 kg standard parcel	X		
12.	a 5 kg standard parcel	X		
13.	a 1 kg track and trace parcel	n/a		Outside the scope of universal service
14.	a 2 kg track and trace parcel	n/a		Outside the scope of universal service
15.	a 5 kg track and trace parcel	n/a		Outside the scope of universal service

³ According to the criterion suggested by means of the EC Communication COM (2018)838 of 12.12.2018

According to the provisions of art. 6(1) of the Regulation, postal services whose tariffs are subject to the assessment are exclusively services within the scope of universal service. In Romania, Track & Trace services do not fall within the scope of the universal service obligations, this functionality being added by CNPR - upon the users' choice - to certain services, including to some of those within the scope of universal service, such as those processing intra-Community letters, respectively intra-Community parcels.

Therefore, taking into account these findings in accordance with the provisions of art. 6(1) of the Regulation, we deem that in the case of tariffs charged by CNPR as a universal service provider for the delivery of intra-Community letters, respectively for the delivery of intra-Community parcels monitored in Track & Trace system, the provisions of art. 6(2) and 6(3) of the Regulation are not applicable.

III. Assessment of tariffs for cross-border delivery of letter post items and postal parcels, susceptible of being unreasonably high

First of all, we mention that the tariffs charged by CNPR as a universal service provider for the provision of services within the scope of universal service have been approved by ANCOM in compliance with the cost-orientation principle, in accordance with the legal provisions in force.

Regarding the implementation of the provisions of art. 6 paragraphs (2) and (3) of the Regulation, in assessing the tariffs for cross-border delivery of single-piece postal items processed by services within the scope of universal service, ANCOM analysed the elements set out by these provisions for the tariffs identified in the previous stage as being susceptible to being unreasonably high, as follows:

III.1. The domestic tariffs and any other relevant tariffs applicable to comparable cross-border parcel delivery services in România and in the destination Member State

A first stage of the evaluation process is that established by the provisions of Art. 6(2), i.e. the analysis of the tariff under assessment, in national currency, as compared to the domestic tariff charged by the universal service provider in the originating country, in national currency, cumulated with that in the destination country, in national currency, all of these being applied the PPP correction⁴.

$$\text{Tariff of the cross-border delivery service under assessment} = \text{Tariff of similar USP domestic service in the originating country} + \text{Tariff of similar USP domestic service in the destination country}$$

This analysis is complemented by a secondary investigation i.e. by a comparison of the tariff charged by CNPR, for the services under assessment, to the total amount obtained by adding the domestic

⁴ Purchasing power parities (EU=28); Source: Eurostat

tariff of the USP in the originating country and the domestic tariff of a relevant competitor providing similar services in the destination country. All these tariffs, expressed in national currency, have been applied the PPP correction.

$\text{Tariff}_{(\text{cross-border}) \text{ of the service under assessment}} = \text{Tariff}_{(\text{domestic}) \text{ of similar USP service in the originating country}} + \text{Tariff}_{(\text{domestic}) \text{ of similar service provided by a competitor in the destination country}}$

In the case of the tariff charged by CNPR for the delivery of 2kg intra-Community standard letters, these comparisons were based on data aggregated and published by the EC on its own website. The results of the preliminary investigation revealed that the tariff charged by CNPR for the delivery of 2kg intra-Community standard letters (22.97) is higher than the amount of the domestic tariffs charged in the originating country cumulated with those in the destination country, the gaps ranging from 6.18 (FI) to 20.39 (BG) depending on the tariff charged in the destination country for the similar service.

Country	CNPR's cross-border tariff	USPs' domestic tariffs in the two MS	Gap
AT	22.97	3.29	19.68
BE	22.97	7.36	15.61
BG	22.97	2.58	20.39
CH	22.97	~	~
CY	22.97	3.15	19.82
CZ	22.97	5.20	17.77
DE	22.97	~	~
DK	22.97	5.91	17.06
EE	22.97	~	~
EL	22.97	4.64	18.33
ES	22.97	7.03	15.94
FI	22.97	16.79	6.18
FR	22.97	7.22	15.75
HR	22.97	4.74	18.23
HU	22.97	6.50	16.47
IE	22.97	9.01	13.96
IS	22.97	~	~
IT	22.97	7.62	15.35
LT	22.97	3.53	19.44
LU	22.97	3.33	19.64
LV	22.97	6.79	16.18
MT	22.97	10.76	12.21

NL	22.97	4.92	18.05
NO	22.97	~	~
PL	22.97	14.34	8.63
PT	22.97	5.29	17.68
SE	22.97	4.14	18.83
SI	22.97	3.96	19.01
SK	22.97	4.84	18.13
UK	22.97	~	~

The results of the subsequent investigation reveal that the tariff charged by CNPR for intra-Community standard 2 kg letter services (22.97) is situated between -3.25 (SE) and 21.42 (PL) depending on the tariff charged in the destination country for the similar/interchangeable postal service, which is an indication that the inclusion in the analysis of only the tariffs charged by the USP may be irrelevant to an informed user who chooses a service according to its resources and needs.

Country	CNPR's cross-border tariff	CNPR's domestic tariff + domestic tariff of a competitor in the Member Country	Gap
AT	22.97	3.29	19.68
BE	22.97	7.04	15.93
BG	22.97	16.91	6.06
CH	22.97	~	~
CY	22.97	~	~
CZ	22.97	8.64	14.33
DE	22.97	~	~
DK	22.97	5.91	17.06
EE	22.97	~	~
EL	22.97	8.86	14.11
ES	22.97	11.70	11.27
FI	22.97	23.19	-0.22
FR	22.97	15.71	7.26
HR	22.97	~	~
HU	22.97	~	~
IE	22.97	~	~
IS	22.97	1.03	
IT	22.97	5.49	17.48
LT	22.97	4.30	18.67
LU	22.97	~	~
LV	22.97	9.66	13.31
MT	22.97	7.71	15.26
NL	22.97	~	~
NO	22.97	1.03	
PL	22.97	1.55	21.42
PT	22.97	~	~
SE	22.97	2.06	

SI	22.97	26.22	-3.25
SK	22.97	6.00	16.97
UK	22.97	~	~

Furthermore, price comparability may also be influenced by aspects of ubiquity and quality of service, given that - unlike the universal service provider - an alternative provider has the commercial freedom to offer postal services, not being subject to the obligation to provide services throughout the national territory.

Given that the tariff charged by CNPR for intra-Community 2 kg letter standard services is invariable, as it does not depend on the destination country, the gaps noted in this analysis are explained exclusively by the level of domestic tariffs charged in other countries and the analysis based on this criterion may be considered irrelevant.

Regarding the tariffs charged for the delivery of intra-Community 1 kg parcels, CNPR charges various destination-based tariffs, so that in the primary analysis only the tariffs susceptible to being unreasonably high, as revealed following the pre-assessment filtering stage, - for EE, FI, IS, IT, LI, NO, SI, and UK – have been assessed. However, given that comparative data are available only for SI and UK, the results of this investigation show that CNPR's tariffs for intra-Community 1 kg standard parcel services for these destinations (25.12 and 25.37, respectively) are higher than the domestic tariffs in the originating country cumulated with those in the destination country, the gaps being 18.27 (SI) and 19.71 (UK) depending on the tariff charged in the destination country for the similar/interchangeable service.

The secondary comparison was conducted only for FI, SI and UK, since these are the only countries featuring available data, with results revealing gaps of -13.53 (FI), 17.88 (SI), respectively -6.25 (UK).

As for the tariffs charged by CNPR for the delivery of intra-Community 2 kg standard parcels, we carried out the assessment of the tariffs susceptible to being unreasonably high following the pre-assessment filtering stage. Thus, only tariffs corresponding to destinations in CY, EE, ES, FI, IE, IS, IT, LI, MT, NO, SI, UK had been fed into the analysis process. The results of the preliminary investigation indicate that the tariffs charged by CNPR for intra-Community 2 kg standard parcel delivery to these destinations are higher than the cumulated domestic tariffs in the originating country and in the destination country, with the extreme gaps 26.44 (ES) and 20.28 (IE), based on the tariff charged in the destination country for a similar/interchangeable service.

Country	CNPR's cross-border tariff	Domestic tariffs of the USPs in the two Member States	Gap
CY	30.27	7.45	22.82
EE	30.23	~	~
ES	28.89	2.45	26.44
FI	32.24	~	~
FR	29.5	5.88	23.62
IE	29.28	10.43	20.28
IS	59.63	~	~
IT	30.53	~	~
LI	40.27	~	~
MT	30.01	13.37	21.01
NO	53.49	~	~
SI	31.17	7.02	24.15
UK	31.21	5.83	25.38

This analysis has been complemented by the secondary comparison only for ES, FI, IE, MT, SI and UK, due to the fact that for this analysis these are the only countries featuring available relevant data. The results indicate gaps ranging from 23.75 (SI) to -3.79 (UK).

Country	CNPR's cross-border tariff	CNPR domestic tariff + domestic tariff of competing operator in the MS	Gap
ES	28.89	13.12	15.77
FI	32.24	39.72	-7.48
IE	29.28	8.92	21.98
MT	30.01	9.12	24.51
SI	31.17	7.42	23.75
UK	31.21	35.00	-3.79

Regarding the tariffs charged by CNPR for the delivery of intra-Community 5 kg standard parcels, CNPR levies different tariffs for this service, based on destination. Following the pre-assessment filter procedure, only certain tariffs were found susceptible to being unreasonably high. However, taking into account the fact that for CNPR's cross-border delivery tariffs to BE, CY, DK, ES, FR, IE, MT, SI, and UK comparative data are available, only these tariffs have been considered in the assessment process. Thus, the results of the preliminary investigation show that the tariffs charged by CNPR for the delivery of 5 kg intra-Community standard parcels to these destinations are higher than the domestic tariffs in the originating country cumulated with those in the destination country, the extreme gaps being EUR 40.91 (SI) and EUR 25.56 (ES), depending on the tariff charged in the destination country for the similar/interchangeable service.

Country	CNPR's cross-border tariff	Domestic tariffs of the USPS in the two Member States	Gap
BE	43.79	11.66	32.13
CY	48.56	8.63	39.93
DK	41.90	9.53	32.37
EE	53.07	~	~
ES	46.80	20.90	25.90
FI	50.92	~	~
FR	45.72	9.26	36.46
IE	48.09	16.36	31.73
IS	91.06	~	~
IT	47.14	~	~
LI	57.27	~	~
MT	54.48	13.54	40.94
NL	42.07	~	~
NO	77.45	~	~
PT	47.10	~	~
SI	49.33	8.08	41.25
SK	47.53	~	~
UK	48.73	18.96	29.77

The secondary comparison conducted on the tariffs charged for this service revealed that CNPR's tariffs are higher than the domestic tariff in the originating country cumulated with the domestic tariff charged by a competitor in the destination country, with gaps ranging between 45.19 (MT) and 11.03 (FI) for the countries under analysis (BE, ES, FI, IE, MT, PT, SI, UK).

Country	CNPR's cross-border tariff	CNPR domestic tariff + domestic tariff of the relevant competitor in the destination Member State	Gap
BE	43.79	8.22	35.57
ES	46.80	16.07	30.73
FI	50.92	39.89	11.03
IE	48.09	9.09	39.00
MT	54.48	9.29	45.19
PT	47.10	8.52	38.58
SI	49.33	7.59	41.74
UK	48.73	35.17	13.56

The analysis of the domestic tariffs charged by the postal operators authorized in Romania for services similar to those subject to this analysis clearly shows that CNPR charges the lowest tariffs, which are at least 3 times lower⁵ than the lowest tariffs charged by competitors.

⁵ For intra-Community 2 kg letters, these tariffs are 7 times lower

A brief analysis among Member States shows that CNPR's domestic tariffs corrected by PPP come second in the ranking of the lowest domestic tariffs, corrected by PPP, charged by universal service providers.

III.2. Application of a uniform tariff to two or more Member States

For intra-Community 2 kg letter post items, CNPR charges a uniform tariff for all the destination Member States, oriented by the costs registered for the respective destinations. This tariff is determined by weighting these costs with the volumes corresponding to each service category processing such postal items, based on the marking method. CNPR's audited Separate Financial Statements (SFS) are not sufficiently detailed to allow the cost analysis for each destination, therefore the operator was asked to provide additional relevant details.

Following the analysis of the data sent by CNPR upon ANCOM's request, we found tariff-cost gaps ranging from -21.02 RON (FI) and +26.17 RON (EL) depending on destination, i.e. amounting to 39%, respectively 49% of the tariff. Moreover, the terminal dues paid by CNPR to foreign partners for the dispatch of postal items to the destination are in direct proportion to the tariffs charged, these dues weighing the most in the total costs registered, as they account for more than 50 % of the total cost (to each destination).

With respect to intra-Community 1 kg, 2 kg and 5 kg parcels, CNPR's tariffs for the delivery of these items are differentiated for each destination according to the costs actually registered throughout the operational chain (presentation, sorting, transport and delivery) and consist of two elements: fixed tariff/parcel and tariff/kg. These were approved by ANCOM upon CNPR's request, in compliance with the principles underlying the tariff regulation measures, being based on the actual costs highlighted in the SFS and on the further analysis of the data regarding terminal dues.

The analysis of the costs incurred with the delivery of intra-Community parcels to each destination also revealed that terminal dues have the greatest weight in the costs registered by CNPR, i.e. at least 70% of the total cost per destination.

Moreover, the differences identified and detailed in Chapter III.1 rely on the same explanation – the application of terminal dues, resulting in significant differences between the cross-border tariff and the amount of domestic tariffs charged for a similar service.

III.3. Bilateral volumes, specific transportation or handling costs, other relevant costs and service-quality standards

Considering that the tariffs approved by ANCOM for CNPR's providing services within the scope of this analysis rely on the SFS for the year 2016 in the case of letter post items, i.e. on the SFS for 2015 in the case of postal parcels, the assessment of these tariffs was based on the data in the respective SFS.

- Postal services processing intra-Community 2 kg non-priority letter post items

Regarding CNPR's 2016 traffic volume for intra-Community 1 kg – 2 kg non-priority letter post items (export), this is insignificant compared to the total volume of this category (320 items in a total of 721,544 items). In fact, among all the weight categories, the smallest traffic volumes are recorded for items weighing between 1 kg and 2 kg. Therefore, a share of only 0.04% (such as the one in this situation) cannot determine a material negative impact on the users as a result of charging a potentially high tariff. On the other hand, the low traffic in this category of items makes it impossible for CNPR to obtain economies of scale that could lead to lower costs.

Since there are insufficient operational details available regarding the cumulation of different category postal items during the transport, information on possible economies of scale cannot be included in this analysis.

Concerning bilateral volumes, based on the data provided by CNPR, the export traffic achieved by CNPR was found to stand for only 1% of the import traffic. However, at the time being, we have not identified any influence of this finding on the cross-border costs or tariffs subject to this analysis.

A comparison of internal costs (broken down by operational activities) incurred with domestic postal items to those incurred with intra-Community items may be relevant to justify the tariff gaps highlighted under Chapter III.1, given that, at operational level, the technological flow for domestic items is different from that for intra-Community items, including in terms of presentation/collecting and sorting activities.

Thus, the total costs incurred by CNPR with the presentation/collecting and sorting of a cross-border letter post item (1.67 RON/item) are twice as high as those incurred with the activities carried out for the presentation/collecting and sorting of a domestic item (0.83 RON/item).

The transportation costs for 1 kg - 2 kg letter post items are approximately 6% of the costs incurred by CNPR for the transport of intra-Community items (11.89 RON/item, i.e. the total cost of transport: domestic cost and transit costs - air transport). However, the most important cost component of the tariff charged by CNPR for the delivery of these items is the terminal dues paid by CNPR to foreign partners for the dispatch of those items on the territory of the destination country, representing on average about 60% of the total cost per unit registered by CNPR.

Based on these findings, the gaps found between the domestic tariffs (the one charged by CNPR and the one charged by USP in the destination country) and the intra-Community tariff charged by CNPR for the delivery of the same item type are deemed justified.

The minimum quality requirements for the items under consideration are regulated at national level only for the services processing priority letter post items. The tariffs to be assessed correspond to non-priority services. Therefore, in this case, the element of quality standards is irrelevant, and assumptions regarding any potential pressure on costs experienced by the universal service provider as a result of applicable obligations of compliance with quality standards are not considered.

- Postal services processing intra-Community 1 kg priority parcels

The traffic volume achieved by CNPR in 2015 for intra-Community parcels (export) weighing up to 1 kg amounted to 23,823 items, i.e. approximately 30 % of the total volume of this category (82,569 items), these items weighing the most in the total of intra-Community export items. Compared to the import parcel traffic in this category, CNPR exported 24% more parcels, but this does not impact the tariffs charged for export items.

Analysing the tariff charged by CNPR for the delivery of a 1 kg domestic parcel [5.3 RON] vs. the average of tariffs charged for the provision of the cross-border equivalent service [55.7 RON], we found that the differences between them are due to different costs incurred in the delivery of the respective service on the domestic and on the intra-Community levels. These differences are based on significant gaps between the costs of presentation/collecting, sorting, respectively transport operations required for a domestic item compared to those of a cross-border item.

Domestic postal items following different technological flows than intra-Community ones, the internal costs for these categories differ, as presented below:

	Presentation	Sorting	Domestic transport	Other expenses
Unit cost per domestic 1 kg parcel	1.62 RON	1.31 RON	0.26 RON	~
Unit cost per cross-border 1 kg parcel ⁶ (European destinations)	2.45 RON	4.56 RON	7.77 RON	3.18 RON
Unit cost per cross-border 1 kg parcel ⁶ (destinations in UPU list)	2.69 RON	13.50 RON	6.81 RON	12.96 RON

Both on the level of presentation/collecting, and especially on that of sorting activities, there are gaps between the costs of a domestic parcel and those of a cross-border one. Nevertheless, the analysed tariffs for cross-border 1 kg parcel delivery are mainly based on the distribution costs (terminal dues), which account for approximately 70% of the total costs (internal + external). On the other hand, the transportation costs of this service are the lowest in the category of analysed intra-Community parcels,

⁶ The cost details are the average of all the unit costs for the postal items in all the weight categories.

possibly due to the scale economies achieved by allocation to the category holding the largest share in the total volume of intra-Community parcels (30%).

Therefore, external costs being the only component with varying values - based on destination -, these are presented in the table below, which also shows their weight in the tariffs corresponding to each destination under analysis.

Destination country	External cost per 1 kg parcel RON	Internal cost per 1 kg parcel RON	Tariff per 1 kg parcel RON	Weight of external cost in the tariff
ESTONIA	44.04	17.96	62	71%
FINLAND	42.64	17.96	60.6	70%
ICELAND*	78.54	35.96	114.5	69%
ITALY	40.24	17.96	58.2	69%
LICHTENSTEIN*	44.64	35.96	80.6	55%
UNITED KINGDOM	41.14	17.96	59.1	70%
NORWAY*	70.04	35.96	106	66%
SLOVENIA	40.54	17.96	58.5	69%

* terminal dues as listed by UPU, not EPG.

- Postal services processing intra-Community 1 kg -2 kg priority parcels

The traffic volume achieved by CNPR in 2015 for the service processing such parcels (export) amounted to 15,255 items, i.e. 18% of the total volume of items in the intra-Community category (82,569 items). Again, export traffic exceeded import traffic.

Analysing the costs in the tariff charged by CNPR for the delivery of a 1 kg - 2 kg domestic parcel [5.7 RON] vs. those in the average of tariffs charged, by destination, for the provision of the equivalent cross-border service [69.42 RON], we found that the differences between them are based also on various internal costs due mainly to additional processing of the items. These rely on significant gaps between the costs for the presentation/collecting sorting, respectively transport operations, and especially for the delivery of a domestic item compared to those for processing a cross-border item.

Therefore, taking into account the fact that domestic postal items follow a different technological flow than intra-Community ones, the internal costs corresponding to these categories vary, as follows:

	Presentation	Sorting	Domestic transport	Other expenses
Unit cost per domestic 2 kg parcel	1.63 RON	1.31 RON	0.62 RON	~
Unit cost per cross-border 2 kg parcel ⁷ (European destinations)	2.45 RON	4.56 RON	15.54 RON	3.18 RON
Unit cost per cross-border 2 kg parcel ⁷ (destinations in UPU list)	2.69 RON	13.50 RON	13.62 RON	12.96 RON

Although there are differences between the presentation/collecting, sorting and transporting costs of a domestic parcel and those of a cross-border parcel, the tariffs under analysis charged for the

⁷ The cost details are the average of all the unit costs for the postal items in all the weight categories.

delivery of 1 kg - 2 kg cross-border parcels are largely determined, by the costs incurred for parcel delivery (terminal dues), which account for an average of 64% of the total costs (internal and external).

Destination country	External cost per 2 kg parcel RON	Internal cost per 2 kg parcel RON	Tariff per 2 kg parcel RON	Weight of external cost in the tariff
CIPRUS	44.77	25.73	70.5	64%
ESTONIA	51.67	25.73	77.4	67%
SPAIN	41.57	25.73	67.3	62%
FINLAND	49.37	25.73	75.1	66%
FRANCE	42.97	25.73	68.7	63%
IRELAND	42.47	25.73	68.2	62%
ICELAND*	96.13	42.77	138.9	69%
ITALY	45.37	25.73	71.1	64%
LICHTENSTEIN*	51.03	42.77	93.8	54%
MALTA	44.17	25.73	69.9	63%
NORWAY*	81.83	42.77	124.6	66%
SLOVENIA	46.87	25.73	72.6	65%
UNITED KINGDOM	46.97	25.73	72.7	65%

* terminal dues as listed by UPU, not EPG.

- Postal services processing intra-Community 5 kg priority parcels

Analysing the tariff charged by CNPR for the delivery of a 5 kg domestic parcel [6.9 RON] vs. the average of tariffs charged for the provision of the equivalent cross-border service [110.61 RON], we found that the differences between them are based also on different internal costs incurred in providing the same service on a domestic, respectively on an intra-Community level, which were mainly due to additional processing of the items. These differences rely on significant gaps between the costs for the presentation/collecting, sorting and transport of a domestic item compared to those for processing a cross-border item.

Based on the data made available by CNPR, ANCOM found that the weight of the transportation costs in the total costs incurred in processing an intra-Community 5 kg parcel is 25%.

On the other hand, taking into account the fact that domestic postal items follow a different technological flow than intra-Community ones, the internal costs corresponding to these categories vary, as follows:

	Presentation	Sorting	Domestic transport	Other expenses
Unit cost per domestic 5 kg parcel	1.65 RON	1.33 RON	1.69 RON	~
Unit cost per cross-border 5 kg parcel ⁸ (European destinations)	2.45 RON	4.56 RON	38.85 RON	3.18 RON
Unit cost per cross-border 5 kg parcel ⁸ (destinations in UPU list)	2.69 RON	13.50 RON	34.05 RON	12.96 RON

⁸ The cost data stand for the average of the unit costs for the postal items in all the weight categories.

Analysing strictly the transport operations for an intra-Community 5 kg parcel, CNPR is found to incur a cost 17 times higher than in the case of a domestic 5 kg package, which explains, on the one hand, the gap between the domestic tariff and the average of intra-Community tariffs charged by CNPR for the delivery of the same category of items. The costs incurred in transporting an intra-Community 5 kg parcel are justified by considerably higher transit costs than those corresponding to parcels in lower weight categories, due to complex processing operations involved by handing the items over to the air carrier.

The distribution-related component represented by the terminal dues that CNPR pays to foreign partners for distributing the items sent from Romania to the destinations under analysis is on average 57% of the total costs (domestic + cross-border) based on which the tariffs for intra-Community 5 kg parcels were approved. This being the only component that presents differentiated costs depending on destination, it is represented in the following table, together with the share of these costs in the tariffs for each destination under analysis.

Destination country	Cross-border cost for a 5 kg parcel RON	Domestic cost for a 5 kg parcel RON	Tariff for a 5 kg parcel RON	Cross-border cost share in the tariff
BELGIUM	52.96	49.04	102.00	52%
CYPRUS	64.06	49.04	113.10	57%
DENMARK	48.56	49.04	97.60	50%
ESTONIA	74.56	49.04	123.60	60%
FINLAND	69.56	49.04	118.60	59%
FRANCE	57.46	49.04	106.50	54%
IRELAND	62.96	49.04	112.00	56%
ICELAND*	148.9	63.20	212.10	70%
ITALY	60.76	49.04	109.80	55%
LIECHTENSTEIN*	70.2	63.20	133.40	53%
MALTA	77.86	49.04	126.90	61%
UNITED KINGDOM	64.46	49.04	113.50	57%
NETHERLANDS	48.96	49.04	98.00	50%
NORWAY*	117.2	63.20	180.40	65%
PORTUGAL	60.66	49.04	109.70	55%
SLOVAK REP.	61.66	49.04	110.70	56%
SLOVENIA	65.86	49.04	114.90	57%
SPAIN	59.96	49.04	109.00	55%

* terminal dues as listed by UPU, not EPG.

Taking into account that CNPR provides postal services processing intra-Community parcels only under priority regime, the tariffs corresponding to these services have been reported according to the provisions of art. 5 in the Regulation, subsequently being subject to this analysis. The national legislation does not provide obligations incumbent on CNPR for compliance with certain quality standards for the provision of such services, CNPR setting delivery terms for intra-Community parcels - i.e. Z+5⁹ - on commercial grounds.

Air carriers are used in the distribution of intra-Community parcels to the destinations under analysis, which makes transportation a major cost component of the tariffs charged for such services.

III.4. The likely impact of the applicable cross-border tariffs on individual and small and medium-sized enterprise users including those situated in remote or sparsely populated areas, and on individual users with disabilities or with reduced mobility, where possible without imposing a disproportionate burden

Currently, there are no surveys on users available at national level that quantify this indicator corresponding to intra-Community postal items. ANCOM is to consider this aspect within subsequent analyses and reports.

However, a relevant analysis element in the early assessment of the impact of tariffs on users could be the analysis of the complaints received by ANCOM on this topic. Since the Authority has received no such complaints in recent years, it can be assumed, until a detailed analysis is conducted, that there is no reason to believe that CNPR's tariffs for intra-Community items raise a barrier to the use of these services by end-users.

III.5. Existence of specific price regulation under national legislation (additional/optional analysis element) according to art. 6(3) of the Regulation

According to the provisions of art. 16 of OUG no. 13/2013 on postal services, approved with amendments and completions by Government Ordinance no. 27/2016, "(1) *The tariffs charged by the universal service provider for services within the scope of universal service which it is has the obligation to provide must be accessible, irrespective of the geographical location, transparent, non-discriminatory and cost-based [...].*

(2) For ensuring compliance with the principles under art. (1), the regulatory authority will impose one or several of the following measures:

a) tariff caps and formulas for controlling the amendment of tariffs for services within the scope of universal service;

⁹ Standardul de calitate se referă la timpul de circulație pe teritoriul României, de la prezentare și până la expedierea internațională. Z reprezintă ziua de colectare a trimiterii poștale.

b) *modalities of setting or amending certain tariffs for the services within the scope of universal service which the universal service provider has the obligation to provide, taking into account the specific features of these services;*

c) *set single-piece tariffs for services within the scope of universal service.*

(3) The universal service provider has the obligation to set, respectively to amend the tariffs for the services within the scope of the universal service which it is has the obligation to provide in compliance with the measures imposed by the regulatory authority in accordance with the provisions of paragraph (2)."

According to these provisions, the tariffs of postal services within the scope of universal service a have been regulated with due regard to the tariff cost-orientation principle, for each of the services. Single-piece services were deemed services corresponding to each weight category, not to each destination. Therefore, ANCOM analyses, upon CNPR's request, cost data in the SFS that underlie the tariffs submitted to approval and decides on the latter's approval.

IV. Conclusions

a) Considering the fact that the data available in the dedicated web application, based on which the results of the pre-assessment filter mechanism recommended by the EC and used by ANCOM were obtained and analysed, do not contain information corresponding to all Member States, we deem that there is a high probability that these results do not reflect a thorough picture that is relevant at the European market level. Thus, the application of this pre-assessment filter mechanism revealed the need for ANCOM to analyse the tariffs for four postal services, as being necessary to be assessed according to the provisions of art. 6.1 of the Regulation.

b) The tariffs charged by CNPR (the USP) for the cross-border delivery of postal items subject to this analysis are justified considering the cost-based pricing principle, as outlined in the SFS (Separate Financial Statements), also taking into account the effectiveness of these costs.

c) The gaps identified in the internal costs of a domestic postal service compared to those of an intra-community postal service consisting of the same category of postal item are due to the different technological flows used by CNPR.

d) Regarding postal items weighing 2 kg, the results of the assessment according to the provisions of art. 6.2 of the Regulation revealed that the differences between the amount of

domestic tariffs (the one charged by CNPR and the one charged by the USP in the destination country) and the intra-Community tariff charged by CNPR for the delivery of the same type of postal item are due both to different handling costs at domestic level, and especially to the distribution costs consisting of the terminal dues.

e) ANCOM's assessment revealed that the most important cost element in tariff analysis consists of the terminal dues that CNPR pays to foreign partners in the distribution of intra-Community postal items, which account for 50% to 70% of the total cost, depending on the postal item category or destination.

f) Regarding the tariffs charged by CNPR for services processing intra-Community postal parcels subject to this analysis, it is noteworthy that - although the quality requirements for these services are not regulated - they are provided on a priority basis, which could trigger incurring higher costs compared to non-priority services which have a lower quality. Therefore, where publicly available tariffs reported by Member States under the reporting obligation provided in Art. 5 of the Regulation correspond to standard, non-priority services, we consider this relevant, as the results of the pre-assessment filter mechanism can be distorted by comparing at European level services that are different in terms of quality.

g) At national level, CNPR charges the lowest tariffs, these being at least 3 times lower than the lowest tariffs applied by postal service providers authorized in Romania for services similar to those under this assessment.

h) In Romania, postal services with the track and trace functionality are not regulated, as they are services outside the scope of universal service. Therefore, they are not subject to any regulations on tariff measures or accessibility obligations, and are not included in the assessment set out by the provisions of Art. 6 in the Regulation.