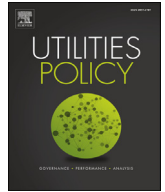




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Postal network access and service quality: Expectation and experience in Serbia

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ABSTRACT

In the Republic of Serbia, commercial postal services are provided by 49 postal operators. Universal postal service is provided only by the Post of Serbia. Collaboration between the Post of Serbia and private operators is exclusively in the area of commercial services and based on bilateral agreements. At the end of 2014, the National Regulatory Authority (NRA) adopted an *Ordinance on the methods and conditions of access to the postal network of the Public Postal Operator (PPO)*. As the market is liberalized, postal operators are given the opportunity to provide the universal service function, with the exception of reserved services, without owning a network. In conjunction with the NRA and the postal operators, and with input from experts, we analyze current market conditions and the demand for access to Serbia's postal network, and evaluate the PPO from the stand point of expected and experienced postal service quality of access to postal network. The obtained results will be useful in developing the postal network.

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1. Introduction

In the Republic of Serbia, access to the postal network has been opened, but postal operators are not interested in market participation and do not appear to have a clearly defined manner of access. However, not one single private postal operator has applied to the National Regulatory Authority (NRA) for this license. In conjunction with the NRA and the postal operators, this research considers Serbia's postal infrastructure and evolving market for postal services. We identify gaps between expected and experienced service quality using a combination of Delphi and SERVQUAL models.

The purpose of this work is to assess the potential development of Serbia's postal services market, with a special focus on the development of universal postal service and the postal network, the level of cooperation between private operators and the Public Postal Operator (PPO), the competence of private postal operators, and the potential to improve postal service quality. The primary

motive is to assess whether universal postal service (can be maintained by opening access to the postal network and whether the PPO can adequately address user needs.

One of the recommendations of Directive 2008/6/EC of the European Parliament and of the Council (Article 11a) is that the Member States allow all postal operators access to elements of the postal infrastructure, that is, the facilities and information resources used in the provision of postal services, including universal service. Member states of the European Union must adopt measures to ensure access to the postal network under transparent, proportionate, and non-discriminatory terms whenever necessary to protect the interests of users or promote effective competition (European Parliament and of the Council, 2008). However, history has shown that competition in the market for postal services is difficult to develop. As Serbia is not a member of the EU, the liberalization process is being implemented gradually and in coordination with EU directives. Dates of postal liberalization implementation in Europe are provided in Table 1.

Private operators have no interest in building their own networks for the provision of universal service. One of the objectives of the PPO, as the provider of universal postal network, is to enable network access for private postal operators who can handle a large volume of items, to the mutual benefit of the PPO and the operators.

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Table 1
Dates of liberalization and scope of access in European countries (ERGP, 2013).

Liberalized their market before EU deadline	Liberalized their market by the deadline, in 2011.	Liberalized their market between 2011 and the extended deadline set by EU to 2013.	Did not fully liberalized their markets by April 2013.
More than 5% competition access			
Germany	Slovenia		Cyprus
UK			Norway
Less than 5% competition access			
Estonia	Austria	Czech Republic	Serbia
Finland	Belgium	Greece	Switzerland
Netherlands	Bulgaria	Hungary	
Sweden	Denmark	Latvia	
	France	Lithuania	
	Ireland	Malta	
	Italy	Poland	
	Spain	Portugal	
		Romania	
		Slovakia	

Along with the process of market liberalization, the need to regulate access to the public network emerged with the goals of: (1) protecting user interests; (2) ensuring the provision of universal service under uniform price and service quality conditions; and (2) providing for the development of competition in both urban and rural areas (Gezović and Trubint, 2011).

The literature distinguishes between upstream and downstream activities in postal traffic (European Regulators Group for Postal Services ERGP, 2012). Downstream activities require a local network for the delivery of postal items, while all other activities take place upstream. Upstream activities include the acceptance, grouping, sorting, and stamping of mail from different sources, before accessing the public network. Upstream activities may be eligible for volume or presort discounts. Upstream operators must ensure the capacity to presort by manual or automated means. Physical access points include mailboxes set up in public places or along roads, as well as on the premises of the universal service provider, where shipments submitted by senders are stored (Gezović and Trubint, 2011).

Access to the postal network can be provided at (1) the nodes where various postal items (letters, postcards, registered items, insured items, and domestic and international packages) are received and sorted (namely, outward postal centers and outward post offices) and (2) nodes where items are prepared for shipment (namely, inward postal centers and destination post offices) (European Regulators Group for Postal Services ERGP, 2012). Depending on the defined model of approach, the user who accesses the PPO must be given access to all necessary data, which include (Miletić, 2013): the postal address code system; the shipment routing system; data on changes of address; data on the redirection of postal items; and data on the return of items to senders.

Many studies have emphasized the importance of access to the postal network by alternative providers. Crew and Kleindorfer (2011) asserted that the strategic priority for all public postal operators should be preserving the volume of shipments for delivery. They argue that upstream activities (collecting, sorting, and transport) can achieve lower a lower cost of service due to labor savings. Panzar (2006) found that an effective “division of labor” can help access operators achieve substantial discounts when accessing the PPO. Calzada (2006) considered the cost of access and emphasized that work-sharing discounts can prevent entry of more efficient operators. Jaag (2014) pointed out that the postal monopoly used to be the main source of universal postal service funding. However, with increased competition and electronic communications, the need for alternative sources of funding emerged.

There is no typical model of postal network access that

represents all countries (Miletić, 2013). Each country defines its own model of delivery depending on the characteristics of the PPO network as well as the characteristics of the postal services market. Fig. 1 shows possible access points available in select countries. In France and Belgium, users have access through mailboxes and outward postal centers and post offices. By comparison, the Croatian post provides access to an inward and destination postal centers (Tabak and Kljak, 2009).

Designing a network access model requires consideration of several criteria, including: the availability of data, price monitoring, transparency, and compatibility with the sustainability of the postal network itself (NERA, 2007). To meet these criteria, the density of access points must be defined accurately in terms of the minimum number of post offices, the distribution of mail for urban and rural network and various other parameters (such as the cost of access and traffic volume). Home mailboxes are privately owned in four countries: the Czech Republic, the Netherlands, Sweden and Slovenia, thus they cannot be accessed by alternative providers. (Miletić, 2013).

The postal services market has still not been completely liberalized in the Balkans. Most of the countries are the EU members (Slovenia, Croatia, Bulgaria, Romania and Greece) and the liberalization in these countries was finalized in 2013. However, in Bosnia and Herzegovina, Montenegro, and Serbia, the market has not yet been fully liberalized and there is no access to the postal network. In the Republic of Croatia the postal services market was completely liberalized on July 1, 2013. Access to the postal network is provided at ten points of access (postal centers) across the entire country, for upstream and downstream activities, and for all the items within the universal postal service (Standardnaponuda, 2013).

Full opening of the postal services market in Slovenia took place in on January 1, 2011. The public postal operator is the Post of Slovenia and presently four operators deliver 7.6% of addressed letters, whereas the Post of Slovenia delivers the rest 92.4%. In Slovenia, access is possible at eight upstream access point and downstream activities at the delivery post office (Post of Slovenia, 2013). Bulgaria and Romania became EU members on January 1, 2007, but Bulgarian postal services market became fully liberalized at the beginning of 2011. In Bulgaria there are presently six operators who own individual licenses for providing universal postal service. The PPO controls 91% of the market while end-to-end competition takes place in 9% of the market. Romania opened its postal services market on January 1, 2013 (Postal Regulatory Database, 2013; ERGP, 2013).

Tochkov (2015) focuses on the performance and efficiency postal operators in Central and Eastern Europe (CEE), including 17

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