
BANK SERVICES IN THE POSTAL NETWORK

FINAL REPORT FOR THE NORWEGIAN MINISTRY OF TRANSPORT AND COMMUNICATIONS

| 25 JANUARY 2011

INFORMED DECISIONS



COPENHAGEN ECONOMICS

Authors: PhD Henrik Ballebye Okholm, project manager, PhD Claus Kastberg Nielsen, quality assurer, PhD Niklas Strand, Anna Möller

Client: The Norwegian Ministry of Transport and Communication

Date: 25 January 2011

Contact: SANKT ANNÆ PLADS 13, 2nd FLOOR | DK-1250 COPENHAGEN
PHONE: +45 2333 1810 | FAX: +45 7027 0741
WWW.COPENHAGENECONOMICS.COM

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PREFACE

The Norwegian Ministry of Transport and Communications has asked Copenhagen Economics to examine the future need for bank services provided in the postal network, how a possible discontinuation of the bank obligation (whether partly or in its entirety) could be implemented in practice, and how Government expenditure would be affected:

“Against the background of falling demand and increased penetration of alternative solutions such as bank-in-shops and electronic services, the Government wishes to examine the need for bank services in the postal network. The report should also assess how a complete or partial abolition of the bank obligation can be accomplished in practice. The investigation shall also estimate the Government expenditure resulting from either maintaining the bank obligation in its current form or reducing its size.”¹

Our report is based on a literature review and interviews with relevant stakeholders such as Norway Post, DnB NOR, and Norgesgruppen. In addition, we have conducted a case study to assess the situation in Sweden where Sweden Post’s bank obligation was abolished three years ago. Moreover, Norway Post has created simulations on USO costs in various scenarios.

The project manager for this project is partner Ph.D. Henrik Ballebye Okholm. Economist Anna Möller and PhD Niklas Strand have been responsible for much of the data work.

Stockholm, January 25th, 2011
Partner, Ph.D. Henrik Ballebye Okholm

¹ <http://www.regjeringen.no/nb/dep/sd/pressesenter/pressemeldinger/2010/behovet-for-banktenestene-til-postenska.html?id=620726>.

EXECUTIVE SUMMARY

Norway Post's is currently obliged to provide bank services throughout its entire network. This obligation requires that five basic services (cash deposit, cash withdrawal, payments, payouts, and opening of bank accounts) are provided at 1,435 post offices and post-in-shops as well as on 1,726 rural delivery routes across Norway.

In addition to the banking obligation, Norway Post is also required to maintain a certain network structure (i.e. a minimum number of post offices). These two obligations both force Norway Post to maintain a costly network comprising many post offices. This reduces its profits as these obligations constitute a net cost. For this reason, Norway Post receives compensation from the Government through public procurement ("statlig kjøp"). In 2010, the compensation for the net cost of these two obligations amounted to NOK 132 million. Estimations for 2012 foresee a net cost of NOK 166 million.

In light of falling demand for manual bank services and increasing availability of alternative solutions such as electronic self-service solutions and bank-in-shops, the Norwegian Ministry of Transport and Communications has asked Copenhagen Economics to examine three topics related to the bank obligation:

- The future need for bank services in the postal network (i.e. the need for a bank obligation)
- How a possible (complete or partial) abolition of the bank obligation could be implemented in practice
- How this would affect Governmental spending.

We conclude that the bank obligation on Norway Post could be abolished, either partly or in its entirety. This conclusion is based on two important findings. *First*, that the reliance on the bank obligation is limited to a small group, our estimate is approximately 15,000-25,000 individuals (primarily immobile people in sparsely populated areas). *Second*, that these individuals could be granted access to bank services in alternative ways, such as through local or regional initiatives combined with public procurement, or through a continued bank obligation limited to rural delivery routes. We recommend the latter solution if a bank obligation is to be maintained.

By a complete abolition of the bank obligation and the obligation to maintain a pre-defined number of post offices, savings of NOK 166 million could be realized in the Government budget in 2012. However, to guarantee all citizens access to basic bank services in the future, costs might be incurred elsewhere. This is the case if there are individuals who, in the absence of a bank obligation would not have access to alternative solutions.

We also conclude that a partial abolition of the bank obligation (maintaining the bank obligation in rural delivery) could imply Governmental savings in the range of NOK 115-135 million.² However, these savings can only be realized if Norway Post simultaneously is allowed to convert more post offices to post-in-shops. If this is not the case, the potential sav-

² This implies that the net cost of the reduced bank obligation would be NOK 30-50 million.

ings from completely abolishing the bank obligation would be limited to approximately [confidential]. In this scenario there could be some individuals without access to basic bank services. Consequently, the money saved on compensation to Norway Post could be spent on procuring services for these individuals and the savings might ultimately be even smaller or even non-existent.

The net cost of the combined network and bank service obligations on Norway Post in this report is estimated based on a forecast for 2012 and will continue to grow in coming years. This is due to falling bank transaction volumes combined with high and fixed structural network costs. The future net cost will moreover be affected by other factors which we have not taken fully into account in this report. One such factor is changes in Norway Post's flexibility in negotiations with existing or potential bank partners and chains hosting post-in-shops.

OPPSUMMERING

Posten Norge er i dag forpliktet til å tilby banktjenester. Dette kravet er fastsat i en lov som krever at fem grunnleggende tjenester (innskud, uttak, innbetaling, utbetaling og åpning av bankkonto) tilbys på 1 435 postkontorer og post-i-butikk, samt på 1 726 landpostruter rundt om i Norge.

I tillegg til bankplikten har Posten Norge spesifikke forpliktelser om nettverksstruktur (f.eks. minste antall postkontor og servicepunkter). Disse to forpliktelser tvinger Posten Norge til å beholde et dyrt nettverk med mange postkontor og minsker Posten Norges lønnsomhet. For å kompensere for denne nettoomkostning får Posten Norge en kompensasjon fra staten gjennom statlige kjøp. Kompensasjonen for nettoomkostning knyttet til de to forpliktelser var 132 millioner kroner i 2010. Beregninger for 2012 viser nettoomkostninger omkring 166 millioner kroner.

I lys av fallende etterspørsel for manuelle banktjenester og økt spredning av alternative løsninger, som f.eks. elektroniske løsninger og bank-i-butik, har Samferdselsdepartementet bedt Copenhagen Economics om å undersøke tre forhold vedrørende bankplikten:

- Det fremtidige behov for banktjenester i postens nettverk (behovet for bankplikt)
- Hvordan en (hel eller delvis) avvikling af bankplikten ville kunne implementeres
- Hvordan dette ville påvirke de statlige utgiftene

Vi konkluderer at Posten Norges bankplikt kan avvikles, enten helt eller delvis. Denne konklusjonen bygger på to viktige funn. For det første at det kun er en liten gruppe som trenger en bankplikt. Vårt estimat er omtrent 15 000-25 000 personer (primært lite mobile mennesker i tynt befolkede områder). For det annet at disse personer kan sikres tilgang til banktjenester på andre måter, f.eks. gjennom regionale initiativ kombinert med offentlig anbud eller ved at bankplikten i fremtiden blir begrenset til landpostruter. Vi anbefaler den siste løsningen hvis det fortsatt skal være en bankplikt.

Ved en fullstendig avvikling av bankplikten og nettverksforpliktelsene ville den norske staten kunne spare omtrent 166 millioner kroner i 2012.³ Imidlertid kan kostnader oppstå andre steder da alle nordmenn fortsatt skal garanteres adgang til grunnleggende banktjenester. Dette er tilfellet hvis det finnes personer som ikke ville ha tilgang til alternative løsninger uten en bankplikt.

Vi konkluderer også at en delvis avvikling af bankplikten (hvor man beholder bankplikten på landpostruter) ville kunne føre til besparelser på mellom 115 og 135 millioner kroner.⁴ Disse besparelsene kan imidlertid kun realiseres hvis Posten Norge samtidig tillates å konvertere flere postkontorer til post-i-butik. Hvis dette ikke er skjer, blir de potensielle besparelsene ved en total avvikling av bankplikten betydelig mindre, [konfidensielt]. I dette scenarioet vil det kunne være noen personer uten tilgang til grunnleggende banktjenester. På den bakgrunn kan en mulighet være at de penger som ble spart brukes til å betale for at også

³ Beregning av "statlig kjøp" for 2012 pluss ekstra estimerte kostnadseffekter fra implementeringen av PiB Enkel.

⁴ Dette innebærer en nettokostnad av en redusert bankplikt på 30 til 50 millioner kroner.

disse personene skal få tilgang til banktjenester. Hvis dette skulle skje, blir de samlede besparelsene mindre, kanskje til og med null.

Nettokostnaden for bankplikten og nettverket av postkontorer er i denne rapport beregnet basert på en prognose for 2012 og vil vokse fremover. Dette er pga. fallende banktransaksjonsvolumer kombinert med store, faste kostnader i nettet. De fremtidige kostnadene vil også påvirkes av andre faktorer som vi ikke har tatt full høyde for i denne rapporten. Dette kan være fleksibiliteten i forhandlinger med eksisterende eller potensielle bankpartnere og post-i-butikk-kjeder.

Chapter 1 | BACKGROUND AND MAIN CONCLUSIONS

1.1. BACKGROUND

Norway Post's bank and network obligations

Norway Post is obliged to provide bank services. This obligation became law in 2002, requiring that five basic services (cash deposits, cash withdrawals, payments, payouts, and opening of bank accounts) are provided in the postal network.⁵ These services are provided at 1,435 service points (179 post offices and 1,256 post-in-shops) across Norway, as well as on 1,726 rural delivery routes covering all households with more than four km to a service point.⁶ However, since the late 1990's, opening of bank account has in practice not been available on rural delivery routes.⁷ Since services shall be provided by a financial institution, Norway Post has a contract with DnB NOR which provides the services under the brand Postbanken.⁹

In addition to the bank obligation, Norway Post is required to maintain a certain network structure (i.e. a minimum number of post offices). These two obligations force Norway Post to maintain a costly network comprising many post offices. This reduces the profit of Norway Post. For this reason, Norway Post receives compensation from the Government through public procurement ("statlig kjøp"). The compensation for the net cost of the two obligations amounted to NOK 132 million in 2010.¹⁰ For 2012, the net cost is estimated to NOK 166 million.

By abolishing the two obligations, the Government could save NOK 166 million in 2012. However, if some individuals are dependent on the bank obligation, costs will be incurred elsewhere. If only one obligation were to be abolished, or if both obligations would be partly phased out, the budgetary savings would be smaller. In this report, we mainly focus on Norway Post's bank obligation. We investigate the need for a bank obligation, assess alternative solutions, and estimate how much the Government could save in various scenarios.

The need for a bank obligation

The need for a bank obligation can be split into two dimensions:

⁵ Lovdata.no (2010), *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*. Money deposit and withdrawal is accessible to customers with a bank account at DnB NOR. Payment and payout services are available to all customers at cost based prices.

⁶ Norway Post (2010a), *Konsesjonsrapport 2009*

⁷ According to Norway Post, customers seem to have adjusted smoothly to this change – something that might indicate a sufficient availability of alternative solutions.

⁸ E.g. due to requirements that a copy of the customer's ID document is scanned and sent to the post office for further handling.

⁹ The brand Postbanken was originally owned by Norway Post, but was taken over by DnB NOR after a merger in 1999. In 2011, the Postbanken brand will be replaced by the DnB NOR brand. However, the services provided in the postal network will remain the same.

¹⁰ The model used to calculate the net cost is described in Bergum, Kristin (2008), *Calculating the Net Cost of the USO: A Practical Example from Norway*. The commercial approach of calculating the net cost of the USO is also recommended by CERP (2008), *Guidelines for Calculating the Net Cost of the Universal Service Obligation*.

- The geographical dimension, i.e. which households need a bank obligation?
- The service dimension, i.e. which services are needed?

From the geographical perspective, the need for Norway Post's bank obligation is limited by access to alternative physical service points.¹¹ From the service dimension, the need is limited by the possibility of individuals using self-service solutions.¹² For instance, individuals who can manage their non-cash transactions via the internet or letter giro and who also have access to an ATM or a shop offering cash back for their cash transactions cannot be said to be dependent on the services provided by the postal network.

This clearly limits the number of individuals who are dependent on the bank obligation as well as the types of services on which they are dependent. In addition, the need for a bank obligation also depends on commercial incentives for banks to develop new alternatives such as bank-in-shops.

Methodology

We examine the need for a bank obligation in Norway by first assessing the current demand for the bank services provided in the postal network. Thereafter we identify alternative solutions and examine how considerable a share of the bank transactions in the postal network can be moved to existing alternatives. In addition, we assess the development of alternative solutions in the absence of a bank obligation and propose alternative regulation which could be put in place to ensure basic bank services for the entire population.

Our approach consists of systematic analysis as well as interviews with key stakeholders:

- Representatives of Norway Post
- Representatives of DnB NOR
- Representatives of Norgesgruppen
- Post office employees
- Shop managers at outlets hosting both a post-in-shop and a bank-in-shop
- Rural postal workers

We have also conducted interviews with key persons at the Swedish Post and Telecom Agency (PTS). PTS is currently in the process of evaluating a period with publicly procured payment services 2008-2012.

1.2. MAIN CONCLUSIONS

We find that the reliance on the bank obligation in Norway is limited to a small group of individuals. We estimate that this group consists of approximately 15,000-25,000 individu-

¹¹ Bank offices, bank in shops, shops offering cash back, and ATMs.

¹² Letter giro, direct debit, internet and telephone banking are examples of self-service solutions.

als (primarily immobile people living in sparsely populated areas). This finding is based on two observations. *First*, that most households have access to alternative physical service points and/or self-service solutions to manage their bank transactions. *Second*, that abandoning the bank obligation does not necessarily imply removal of bank services in the postal network. In the absence of a bank obligation, Norway Post might find it commercially interesting to cooperate with a bank to offer bank services. In such a setting, the bargaining power of Norway Post vis à vis the banks would be improved.

Consequently, we find that the bank obligation on Norway Post could be abandoned, either partly or in its entirety. However, total abandonment may require that vulnerable customers are guaranteed access to basic bank services in other ways, through local or regional initiatives combined with public procurement, for example.

Chapter 2 THE DEMAND FOR NORWAY POST'S BANK SERVICES

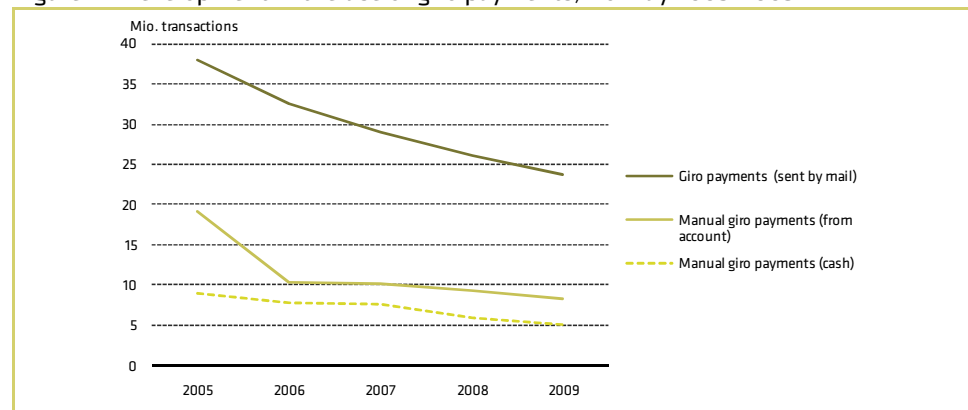
2.1. NATIONAL TRENDS IN THE USE OF BANK SERVICES

As in many other countries across Europe, two general trends in the use of bank services have been visible in Norway for the past few years:

- Decreasing demand for manual bank services
- Increasing demand for electronic solutions

During the last five years, the number of manual giro payments made over the counter has decreased by more than 50 percent and the number of giro payments sent by mail (letter giro) has similarly decreased by almost 40 percent in Norway, cf. Figure 2.1.

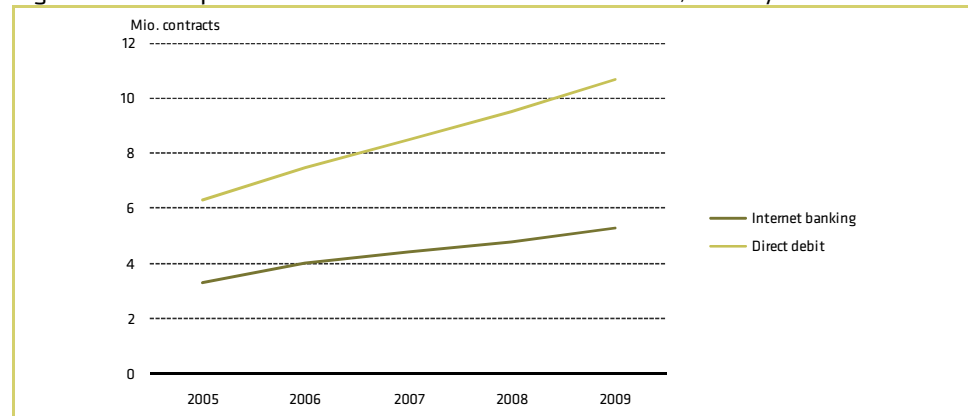
Figure 2.1 Development in the use of giro payments, Norway 2005-2009



Source: Copenhagen Economics, based on Norges bank (2010)

Simultaneously, the number of internet banking and direct debit contracts has increased by approximately 60 and 70 percent respectively, cf. Figure 2.2.

Figure 2.2 Development in the use of electronic bank services, Norway 2005-2009



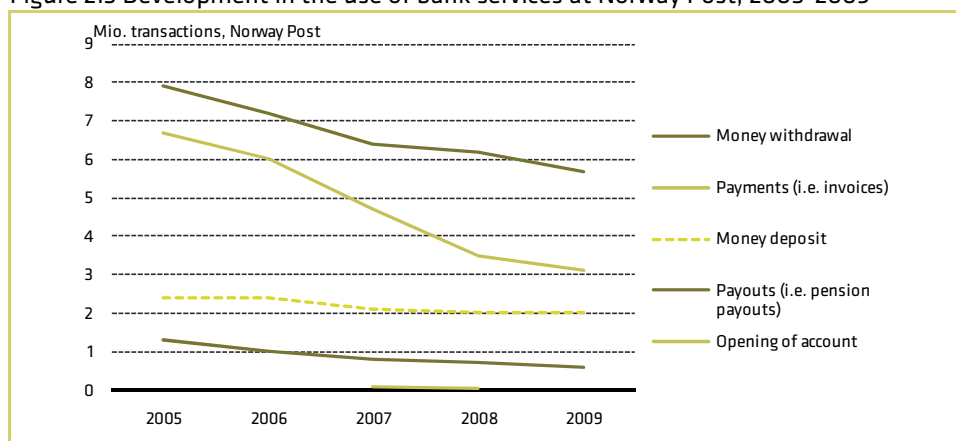
Source: Copenhagen Economics, based on Norges bank (2010)

These general developments have naturally reduced the demand for bank services provided by Norway Post.

2.2. DEMAND FOR MANUAL BANK SERVICES IN THE POSTAL NETWORK

We observe a significant reduction in the demand for bank services in the postal network in Norway. Between 2005 and 2009, the total number of manual bank transactions decreased by more than seven million yearly transactions, or by almost 40 percent. The largest declines are for manual payments and money withdrawal, which declined by 54 and 28 percent respectively. We also observe a slight decline in deposits and payouts, whereas the number of new bank accounts remained at a stable, but very low level ([confidential]), cf. Figure 2.3.

Figure 2.3 Development in the use of bank services at Norway Post, 2005-2009



Source: Copenhagen Economics, based on Norway Post (2010c).

The decreasing number of bank transactions in the postal network throws into question whether the bank obligation is necessary to guarantee all Norwegians sufficient access to basic bank services. This would not be the case if there were other alternatives available or if bank services were provided on commercial basis without any bank obligation.

Chapter 3 | ALTERNATIVES TO NORWAY POST'S BANK SERVICES

3.1. ALTERNATIVE SOLUTIONS

The alternatives available to the customers of Postbanken are essentially of two types:

- Physical service points such as a bank offices, bank-in-shops, ATMs and supermarkets offering cash back, and
- Self-service solutions such as letter giro, direct debit, or internet banking

We also observe a broad range of alternatives, cf. Table 3.1.

Table 3.1 Alternatives to the bank services provided by Norway Post

	Opening of account	Cash withdrawal	Cash deposit	Payouts	Payments
Bank office ¹	Yes	Yes	Yes	Yes	Yes
Bank-in-shop	No	Yes	Yes	Yes	Yes
Letter mail	Yes ²	No	No	Yes ^{3,4}	Yes ^{3,4}
COOP ⁵	Yes	Yes	Yes	No	No
ATM	No	Yes	(Yes) ⁶	No	No
Cash-back, in shops	No	Yes	No	No	No
Internet bank	Yes	No	No	No	Yes ²
Telephone bank	Yes ¹	No	No	No	Yes ²
Mobile bank	No	No	No	No	Yes ²

Note: ¹ It should be noted that not all bank offices provide cash transactions. ² Requires copy of ID ³ Requires bank account ⁴ Giro transfer ⁵ Available only to COOP members ⁶ Some ATMs allow cash deposit

Source: Copenhagen Economics

We make two observations based on our analysis of alternatives:

First, all services covered by the bank obligation can be fulfilled by banks and bank-in-shops in combination with letter mail. Hence, all individuals with access to banks or bank-in-shops do not need bank services provided by the postal network.

Second, that cash transactions (deposits and withdrawals) might be problematic for people living in sparsely populated areas without access to physical service points¹³. The magnitude of this problem, however, depends on when and where cash is required. For instance, for someone who needs to withdraw cash to spend in the city centre this is not a major problem since there is usually good availability of ATMs or shops offering cash-back in the city. However, for someone who is immobile and needs to withdraw cash to pay the neighbor for doing the weekly grocery shopping, there might be a problem if the rural postal worker does not offer bank services.

We take a closer look at the alternatives below and assess whether these are effective substitutes for the services provided in the postal network. We also investigate who actually use the bank services provided in the postal network and explore what kind of possibilities they might have to switch to other alternatives. Finally, to quantify the need for a bank obliga-

¹³ A fixed service point is a post office, post-in-shop, bank office or bank-in-shop where basic bank services are provided.

tion, we examine how large shares of transactions can actually be moved to alternative solutions.

Available alternatives

We observe that customers generally have several alternatives to the basic bank services provided by Norway Post. The six important substitutes are bank offices or bank-in-shops, internet and telephone banking, giro transfers, ATMs, cash-back, and the provision of cash deposit and withdrawal at COOP outlets.

Bank offices and bank-in-shops provide services which are identical or similar to those provided in the postal network today. The physical service points are available to all households within a reasonable distance except to those with mobility/transportation problems.

We find that the bank-in-shop concept is a good substitute for the bank services offered in the postal network. The reasons for this are threefold.

First, the type of services offered at bank-in-shops are nearly identical to those provided in the postal network:¹⁴¹⁵

- Cash withdrawal up to NOK 5,000
- Cash deposit to own account up to NOK 20,000
- Payment of bills up to NOK 25,000
- Payouts from giro up to NOK 15,000

Second, customers' perception of the quality of bank services seems to be similar for bank-in-shops and post-in-shops. For instance, we observe that customers choose counters randomly, often based on convenience (e.g. longest opening hours, shortest waiting time or the possibility to combine the bank transaction with other errands).¹⁶

Third, we find that the access to bank-in-shops often is comparable with that of post-in-shops. In addition to the fact that 30 percent of over 1,000 bank-in-shop outlets also host a post-in-shop we find that the availability of bank-in-shops also seems to be good in more sparsely populated areas, cf. Table 3.2.

¹⁴ Bank-in-shops do not open new bank account and the limit on the transaction amounts is higher in the postal network, e.g. withdrawals up to NOK 25,000.

¹⁵ DnB NOR (2010), https://www.dnbnor.no/om_oss/kontorer/finn_bankibutikk.html

¹⁶ Interview with Odd Birkenes, manager of value adding services in Norgesgruppen, and with employees at four outlets hosting both a post-in-shop and a bank-in-shop.

Table 3.2 Availability of service points in sparsely populated regions

Area	Bank offices	Bank-in-shop	Post offices	Post-in-shop
Finnmark	16	6	6	36
Troms	28	21	7	50
Nordland	53	31	12	87
Nord-Trøndelag	31	22	5	47
Hedmark	44	53	6	75
Oppland	66	60	5	72
Sogn og Fjordane	37	37	4	66

Note: In addition to the bank offices and bank-in-shops, there is a bank bus serving six locations in the region of Sogn og Fjordane.

Source: Copenhagen Economics

Although the table above shows a significantly higher number of post-in-shops than the number of bank-in-shops in any given region, this does not necessarily imply a worse accessibility of bank-in-shops, cf. our investigation of access to alternatives in section 3.2.

However, to further increase access to bank-in-shops, Norgesgruppen is prepared to extend its network of bank-in-shops to also include those Spar and Joker outlets where the bank-in-shop concept has not yet been rolled out. In addition, a harmonization of computer systems in the outlets would increase the number of available outlets by a further 400.¹⁷ Last, but not least, both the establishment of the bank-in-shop concept in other types of outlets, such as flower shops, cafés, or local stores, and the provision of ambulating bus bank services in the region of Sogn og Fjordane,¹⁸ demonstrate that the number of available outlets is substantial and is not limited to specific business concepts or outlet size. The incentive to offer such services will increase if Norway Post no longer offers bank services.

Internet and telephone banking are two other alternatives which enable all households with a computer or telephone to make payments and open new bank accounts without access to a physical service point. However, this requires that the customer has an established relationship with a bank and a certain level of technical skills regarding computers and internet access.

Giro transfers for payments or payouts do not require any technical skills. This alternative is available to all individuals with a bank account and can either be conducted over the counter at any bank or bank-in-shop, or via letter post. As rural postal workers collect letters to be

¹⁷ A harmonization of computer systems would make all Mix outlets available to the bank-in-shop concept.

¹⁸ Sparebanken Sogn og Fjordane (2011),

[https://www.ssf.no/wps/portal/3890!/ut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3giIx8nZzcPIwP_UCBhZGhuFuZnbuLvZmgOI9Ekrfw9TAz8LQINgqwdAEKuhgS0O3nkZ-bql-QG1EOAA2S_28!/dl3/d3/L2dJQSEvUU:3QS9ZQnZ3LzZfMjJMqkNGSDIwT1VIMjAyMTc2Vk43NE9GSDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/3890Innhold/SSF+Site/About/Local+Pages/Stryn/](https://www.ssf.no/wps/portal/3890!/ut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3giIx8nZzcPIwP_UCBhZGhuFuZnbuLvZmgOI9Ekrfw9TAz8LQINgqwdAEKuhgS0O3nkZ-bql-QG1EOAA2S_28!/dl3/d3/L2dJQSEvUU:3QS9ZQnZ3LzZfMjJMqkNGSDIwT1VIMjAyMTc2Vk43NE9GSDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/3890Innhold/SSF+Site/About/Local+Pages/Bremanger/)

sent on their daily delivery routes, letter giros are also available to people in sparsely populated areas who live long distances from the nearest post box.¹⁹

ATMs give individuals the opportunity to withdraw money by using their bank card. Some *ATM*'s also offer the possibility of depositing money. There are approximately 2,000 *ATM*'s in Norway, often placed at central locations or in connection to a shop.

In addition to the alternatives described above, thousands of shops offer *cash back*.²⁰ This solution makes cash withdrawal easily accessible to everyone with a bank card.

Last but not least, around 1.2 million Norwegians *COOP* members have access to deposit and withdrawal in the 200 *COOP* outlets (e.g. *OBS!*, *Prix*, *Mega* and *SmartClub*).²¹

Affordability of alternatives

One possible concern is that alternative solutions might be more expensive and that abandoning the bank obligation could increase the cost of performing bank transactions.

We have found such concerns to be unjustified. In fact, we note that prices of alternative solutions often are lower than the prices of services provided in the postal network. On the one hand, self-service solutions such as letter giro, transfers via internet or telephone banks, and direct debit, are all significantly cheaper than their manual counterparts. The only more expensive option is transactions conducted at the bank office, cf. Table 3.3.

Table 3.3 Price comparison of basic bank services

	Withdrawal	Deposit	Payment	Payout
<i>Postbanken</i>	0	0	35 ¹ /75 ²	0 ¹ /50 ²
Physical service points				
Bank-in-shop	0	0	35 ¹ /75 ²	0 ¹ /50 ²
DnB NOR bank office	0 ¹ /100 ²	0	60 ³ /75 ⁴	75
Sparebank1	0	0	30 ¹³ /100 ²³ /35 ⁴⁵	35 ⁵
Shops with cash back	0	n.a.	n.a.	n.a.
Self-service solutions⁶				
Letter giro	n.a.	n.a.	8 + postage	8 + postage
Telephone giro	n.a.	n.a.	0 ¹ /2 ²	n.a.
Internet giro	n.a.	n.a.	0 ¹ /2 ²	n.a.
Direct debit	n.a.	n.a.	0 ¹ /2 ²	n.a.

Note: All giro payment prices are with *KID*. ¹Own customers ²Other customers ³from account ⁴cash ⁵Bank-in-shop ⁶DnB NOR

Source: DnB NOR (2010), *Postbanken* (2010), *Sparebank1* (2010)

¹⁹ Interviews with rural postmen in Seljord, Trysil, Brønnøysund, Ulvsvåg, and Alta.

²⁰ Cash back is when a customer at a purchase chooses to charge the bank account with a higher amount than the sum of the purchase and receives the difference in cash.

²¹ Dinside.no (2010), Betal regningen på Meny, 19.09.09, <http://www.dinside.no/828850/betal-regningen-paa-meny>

3.2. CUSTOMERS AND THEIR ACCESS TO ALTERNATIVES

An important issue when assessing dependence on the bank obligation is to identify Postbanken's customer profile (i.e. the people using the bank services provided by Norway Post), and to assess the availability of the various alternatives. We find that the spectrum of customers is very broad but that most of them have access to alternative solutions.

Postbanken's customers

Our interviews²² with key personnel at DnB NOR and Norway Post reveal that Postbanken's customer profile is very heterogeneous, ranging from young students to elderly retirees and immigrants. Their reasons for conducting bank transactions in the postal network are similarly diverse. Students, on the one hand, often find it attractive to combine bank errands with parcel pick-up and prefer a bank with long opening hours. Elderly people, on the other, often have a relationship with Postbanken by tradition and appreciate the trust and solidity signaled by the brand. Immigrants often have similar reasons for choosing Postbanken as they often are familiar with the concept (bank services provided in the postal network) from their home country and feel more comfortable conducting their bank transactions in a less formal environment. In rural services, the customer profile looks slightly different with elderly people being the main customer group.²³ This is not surprising, as most young or middle aged people are in school or at work when the rural postman arrives.

However, the broad spectrum of people using Norway Post's bank services does not necessarily imply a widespread need for the bank obligation. This is, for instance, the case for most customers that have access to other alternatives. Furthermore, it should be noted that the conditions private customers have to meet with regard to id-legitimation, private economic solidity, job situation, etc when opening a bank account at Postbanken are not less strict than for opening any other similar DnB Nor account.

Access to alternatives

To assess the availability of alternative solutions, we have performed a systematic analysis of the geographical location of physical service points (post and bank) in seven sparsely populated regions in Norway. We have also assessed the future development of alternative solutions in the absence of a bank obligation. Last, but not least, we have also investigated the possibilities of substituting manual bank transactions for self-service solutions.

We find that the individuals who are currently most likely (although not necessarily) to be dependent on the bank services provided by Norway Post are those without immediate access to alternative physical service points. This includes individuals for whom the distance

²² Interviews with Tore Jorstad, Per-Knut Christiansen, and Leif-Magne Andersen at DnB NOR, employees at post offices and post-in-shops in Elvebakken, Burfjord, Revetal, Lom, Oslo, Majorstuen, Ålesund, and Tromsdalen, as well as rural delivery postal workers in Seljord, Trysil, Brønnøysund, Ulsvåg, and Alta.

²³ Interviews with rural delivery postal workers in Seljord, Trysil, Brønnøysund, Ulsvåg, and Alta

to the closest service point will increase considerably without a bank obligation and immobile individuals dependent on the rural delivery service. However, inability to access a physical service point does not necessarily imply dependence on the bank obligation as transactions can often be handled by self-service solutions.

Our investigation shows that most individuals have access to self-service solutions and/or other physical service points. There are three reasons for this;

First, all individuals with a bank account can carry out non-cash transactions by letter giro, internet bank, or direct debit and are thus not dependent on a physical service point for these transactions.

Second, post offices are often located at densely populated locations. Hence, people with access to post offices are also most likely to have access to other service points.

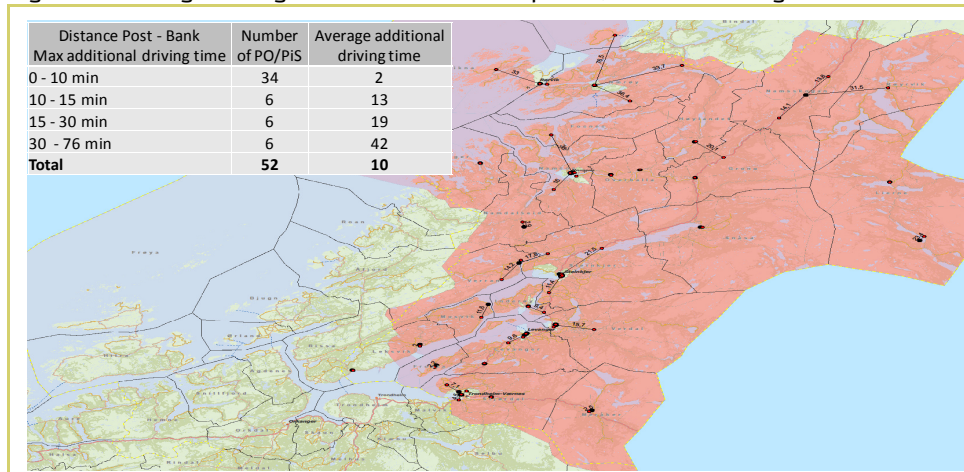
Third, we find that most people with access to a post-in-shop also have access to a bank-in-shop. However, post-in-shops are sometimes located at sparsely populated locations and the number of post-in-shops still exceeds the number of bank-in-shops. Thus, some people with access to a post-in-shop do not have equal access to another service point. Nevertheless, we find that the extra distance from a postal service point to the closest bank office or bank-in-shop is often small, even in sparsely populated areas. Consequently, people with access to a car should be able to reach the nearest service point without much effort.

A pilot study undertaken by Norway Post in the sparsely populated region of Nord-Trøndelag (a region with 52 postal service points and only 15 bank service points²⁴) found the average driving time from a postal service point to the closest bank service point to be 10 minutes. Moreover, 41 out of 52 postal service points (almost 80 percent) are located within 15 minutes from the closest bank service point, and in only six cases is the driving time more than 30 minutes²⁵, cf. Figure 3.1.

²⁴ Postal service point = post office or post-in-shop, Bank service point=bank office or bank-in-shop

²⁵ Five of these post-in-shops are located on islands or peninsulas on the Norwegian North West coast, and one is located north of the lake Limingen in the North Eastern part of Nord-Trøndelag.

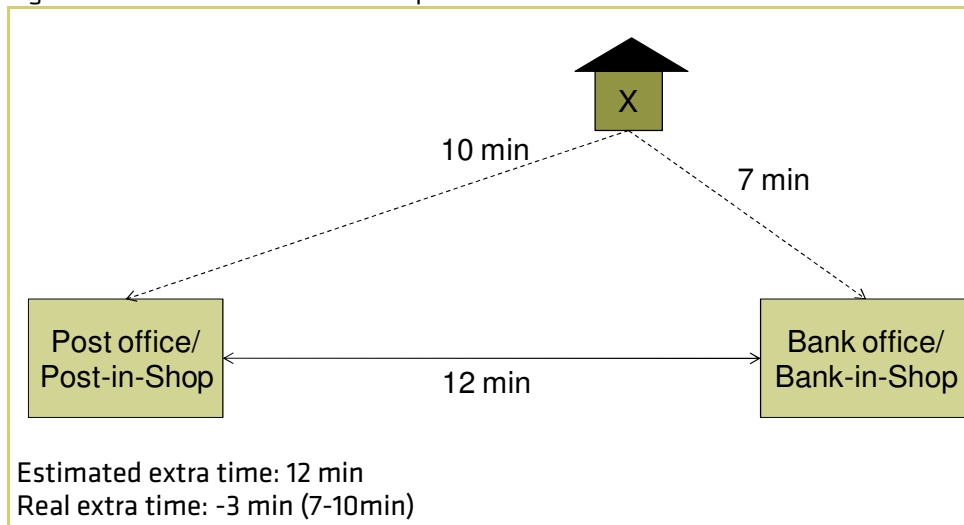
Figure 3.1 Average driving time between service points, Nord-Trøndelag



Note: Post=post office or post-in-shop; Bank=bank office or bank-in-shop; PO=post office; PiS=post-in-shop
 Source: Copenhagen Economics, based on Norway Post (2010d)

It is important to note that the measured time is the *maximum* extra driving time to access a bank office or bank-in-shop. In cases where the fastest way to the bank is not via the postal service point, the transport time will be shorter than estimated, cf. Figure 3.2. Consequently, the results are conservative estimations showing that, even in sparsely populated areas, only a small share of households does not have immediate access to alternative physical service points.

Figure 3.2 Distances between service points



Source: Copenhagen Economics

Moreover, it is important to take into account the fact that the number of bank-in-shops might increase if no bank services are provided in the postal network. This might be the case

if banks think it important to be situated near to their customers and if the bank-in-shop concept is profitable for both banks and shops. This is discussed further in section 3.3.

Share of transactions dependent on the bank obligation

To make a quantitative estimation of the volume of bank transactions where no alternative solution is available, we conduct an assessment in three steps:

First, to determine what proportion of transactions can be moved to alternative physical service points, we look at bank transaction conducted at post offices, post-in-shops, and in rural delivery respectively. We do this for Norway Post generally and for seven of the most sparsely populated regions of Norway²⁶ specifically.

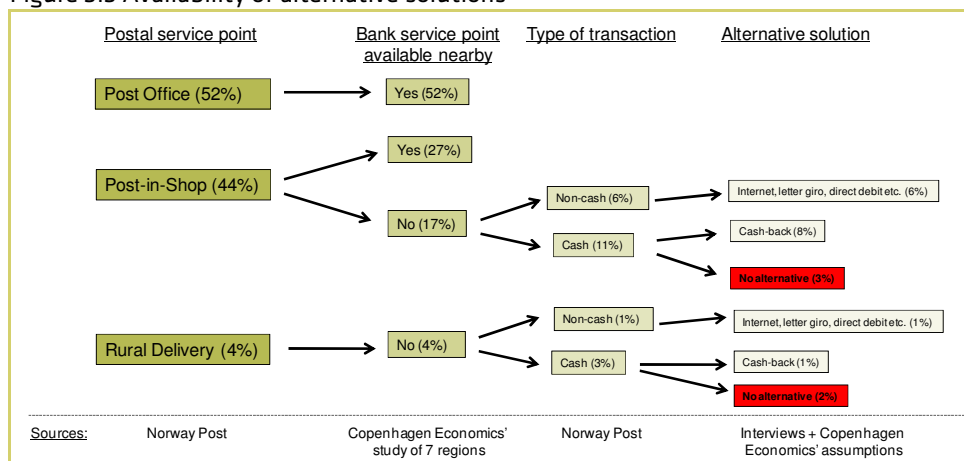
Second, to determine what proportion of remaining transactions can be moved to self-service solutions such as letter giro, direct debit, and internet banking, we study the composition of transactions at the various service points.

Third, to estimate what proportion of remaining transactions can be moved to alternative solutions, we estimate the share of cash based transactions which can be substituted by ATMs and cash-back at the supermarket or petrol station, for example.

When doing so, we estimate the share of immobile transactions which cannot be substituted by alternative solutions in sparsely populated regions to five percent, cf. Figure 3.3. The average share in the entire country is lower. Our estimate is between three and five percent.

²⁶ Finnmark, Troms, Nordland, Nord-Trøndelag, Oppland, Hedmark, Sogn og Fjordane

Figure 3.3 Availability of alternative solutions



Note: Numbers in brackets represent the share of all bank transactions conducted in the postal network in the seven regions. BiS=Bank-in-shop; Non-cash transactions=payments and payouts; Cash transactions=deposits and withdrawals

Source: Copenhagen Economics, based on transaction statistics from Norway Post and own geographical analysis of service point locations.

By studying the overall transaction pattern we observe that although there are almost seven times as many post-in-shops as there are post offices, more than 50 percent of all bank transactions are conducted at post offices, cf. Table 3.4. This implies that at least 50 percent of Norway Post’s bank transactions can be transferred to alternative physical service points.

Table 3.4 Bank transactions at Norway Post’s service points, million transactions 2009

	Opening of account	Money withdrawal	Money deposit	Payouts	Payments	Total
Post office	n.a.	2.9	1.0	0.3	1.5	5.65
Post-in-shop	n.a.	2.6	0.6	0.3	1.4	4.9
Rural delivery	n.a.	0.2	0.1	0.05	0.1	0.45

Note: The transactions conducted in rural delivery (450,000 in total) are estimated on the basis of annual adjustment of earlier statistics. The split between transaction types is based on the transaction pattern at post offices.

Source: Copenhagen Economics. Based on Norway Post (2010b), Postbankytelser 2009

In the seven sparsely populated regions²⁷, there are a total of 479 post offices and post-in-shops and 505 bank offices and bank-in-shops. That is, there are more bank service points than postal service points. In addition, there are six sparsely populated locations where an ambulating bus service provides bank services twice a month. This example indicates that more market-based solutions might appear in the absence of a bank obligation, cf. Box 3.1.

²⁷ Finnmark, Troms, Nordland, Nord-Trøndelag, Oppland, Hedmark, Sogn og Fjordane

Box 3.1 The bank bus services in Sogn og Fjordane

In the region of Sogn and Fjordane the local bank, Sparebanken Sogn og Fjordane, has implemented alternative solutions to cope with the geography and low population density. To create a sufficient coverage of physical bank service points, 28 traditional bank offices are complemented by 17 bank-in-shops and an ambulating bus service.

Once every second week, the bank bus drives a predefined route with six stops. At each stop, the bus halts for between 30 and 75 minutes to let the locals conduct their bank errands.

Source: Sparebanken Sogn og Fjordane (2011)

For 239 of the postal service points (i.e. 50 percent) there is at least one bank service point in the same postcode. For 74 of these, a bank-in-shop is located at the same outlet. In addition, 56 postal service points have a bank service point located within the same city, but not within the same postcode. In over one quarter of the 56 cases, the number of bank service points in the city is larger than the number of postal service points. For instance, in Lillehammer there is one post office, one post-in-shop, four banks, and six bank-in-shops. In total, there are 184 postal service points (38 percent) without a bank service point within the same postcode or city, cf. Table 3.5. These 184 service points represented 21 percent of all transactions conducted in the investigated area in 2009. This corresponds to five percent of all transactions performed by Norway Post.

Table 3.5 Geographical location of post and bank service points

Type of service point	Number of service points	Share of service points (%)
Postal service points in total	479	100
Postal service points with bank in the same post code	239	50
Postal service points with bank in the same city (different post codes)	56	12
Postal service points without bank in same post code area or city	184	38

Note: There are 145 post code areas without a postal service point, but with a bank service point

Source: Copenhagen Economics

Our analysis of physical location suggests that most bank transactions conducted at post-offices and post-in-shops can be moved to other physical service points. However, this is often not the case for transactions conducted in rural delivery, as these households often are located far away from any physical service point. However, with 1,726 rural delivery routes visiting households 250 days a year, the 450,000 transactions conducted correspond to approximately one visit per delivery route per day.²⁸ The low number of bank transactions through rural delivery is also supported by our interviews with rural postal workers who estimate the share of visits with bank transactions from nearly zero up to five percent of the total number of visits.²⁹ There are at least two explanations for the low share of bank transactions through rural delivery.

²⁸ One visit per delivery route per day corresponds to two percent of all visits if 50% of the households receive mail on a given day.

²⁹ We have conducted telephone interviews with five rural postal workers, servicing delivery routes in sparsely populated areas (Seljord, Trysil, Brønnøysund, Ulsvåg, and Alta3) in the Northern and Eastern parts of Norway.

First, most people in sparsely populated areas access physical service points through their daily activities. They might, for instance, pass a bank or a bank-in-shop on the way to work or there might be a bank-in-shop in the supermarket where they regularly do their grocery shopping.

Second, many people in sparsely populated areas do not need access to a physical service point as they use self-service solutions, such as internet banking, direct debit or letter giro.

As letter giro or internet banking can be used by everyone with a bank account to carry out payments and payouts, this clearly limits the share of immobile transactions. In addition, withdrawals can be conducted in connection to purchases in many cases (e.g. at ATMs or through cash back at the supermarket). Consequently, limited access to a physical service point does not necessarily imply that transactions cannot be moved to alternative solutions. Assuming that 75 percent of all withdrawals conducted at post in shops and 30 percent of all withdrawals conducted through rural delivery can be replaced by cash back and that all non-cash transactions can be handled by letter giro, direct debit, or internet banking³⁰, we calculate the share of immobile transactions to be five percent.

It is important to bear in mind that these findings are very conservative. There are mainly three reasons for this.

First, these findings are based on a study of seven of the most sparsely populated areas in Norway. Thus, the availability of alternatives in other regions is likely to be better. If we assume that this is indeed the case and that everyone with access to a post office or post-in-shop also has access to an alternative service point, the share of immobile transactions drops to three percent.

Second, we have ignored the fact that discontinuation of bank services in the postal network might trigger the development of new alternatives such as more bank-in-shops.

Third, we have also ignored the fact that some households without a bank service point in the same post code area or city will access a bank service point in another post code area in relation to work or other every-day activities. Taking these considerations into account would further decrease the share of immobile transactions.

Three to five percent immobile transactions represent approximately 300,000-500,000 transactions per year. If we assume that individuals dependent on the bank obligation con-

³⁰ The lower share of transactions which can be replaced by cash-back in rural delivery compared with post-in-shops is explained by the fact that the main customer group using a rural delivery service, (elderly people) are less likely to possess a bank card, which is necessary for cash back. However, according to our interviews with rural postal workers virtually, all rural households have a bank account so all non-cash transactions could be replaced by letter giro, internet banking or direct debit.

duct on average 20 transactions per year³¹ this would imply that approximately 15,000-25,000 individuals are dependent on the bank obligation in Norway.

Experience from other countries

Our findings are supported by observations from other countries.

In the UK, a study performed by Triangle in 2002 found that the closure of rural post offices would have a negative effect on people without transport. Other vulnerable groups identified were disabled, elderly, retired and people from the lower social classes. The use of postal offices by other inhabitants was found to fit around their lifestyle, so trips to the post office were combined with other tasks, such as shopping, for example.³²

In relation to a review of basic payment services in Sweden in 2008, PTS investigated where the access to basic payment services was insufficient such that extra services needed to be procured. The investigation found that people in remote areas (living more than 30 km from a permanent service point with basic payment services) were particularly vulnerable and needed additional provision of basic payment services. This corresponded to approximately 40,000 individuals.³³ Two years later, PTS conducted a review of the procurement of basic payment services. The review showed, among other things, that approximately 3,000 individuals (the majority above 80 years old) had actually used the procured services. Only a few users have stated disability as the reason when applying for the procured service.³⁴

3.3. NEW ALTERNATIVES PROVIDED ON COMMERCIAL BASIS

The need for a bank obligation would be limited if basic bank services were provided on a commercial basis and made available to a large share of the Norwegian population. We observe that the availability of commercial alternatives has increased considerably in the past few years through the development of the bank-in-shop concept. We find that this development is very unlikely to reverse in the future.

Development of the bank-in-shop concept

In 2008, the bank-in-shop concept was introduced as an alternative to the bank services provided at bank offices, post offices and post-in-shops across Norway. The originator of the new concept was DnB NOR, the bank which had provided bank services in the postal network since its merger with Postbanken in 1999.

³¹ The assumption of 20 transactions per year is based on experience from Sweden, where the 3,000 users of the procured basic payment service conducted 58,131 transactions in 2009.

³² London Economics (2003)

³³ Interview with Karin Hellsten, PTS

³⁴ The Swedish Post and Telecom Agency (2010), Grundläggande betaltjänster – slutredovisning av regeringsuppdrag.

The underlying reason was that in 2005 Norway Post had decided to let financial institutions bid for the provision of bank services in the postal network. This created some uncertainty regarding DnB NOR's future presence in the postal network. Since many of DnB NOR's customers were used to the good accessibility of service points in the postal network, DnB NOR decided to engage in the provision of bank services in super-markets as a back-up solution.³⁵

Today, four years later, DnB NOR's network of bank-in-shops contains over 960 outlets, from Mandal in the South to Hammerfest in the North. These include all Meny, Ultra, and Kiwi stores, as well as most Spar and Joker outlets. Although DnB NOR is the largest provider of bank-in-shop services there are at least two other banks engaging in the same concept. These are Sparebank1, which has entered into agreements with 25 outlets in the regions of Hordaland and Nord-Trøndelag³⁶, and Sparebanken Sogn og Fjordane, which provides bank-in-shop services in 17 local outlets in their region.³⁷

The fast and widespread roll-out of the bank-in-shop network has been facilitated by the concept's mutual attractiveness for both banks and shops. On the one hand, banks benefit from good customer access, small fixed costs compared to those of bank offices with own premises and personnel, and profits on each transaction. On the other hand, shops benefit from the profits made on each transaction and small incremental costs for the extra time handling bank transactions (training and equipment costs are covered by the bank).³⁸

3.4. BANK SERVICES IN THE POSTAL NETWORK³⁹

Without a bank obligation, Norway Post would not have to provide bank services. However, if banks find the postal network an attractive distribution channel, they could negotiate with Norway Post and potentially agree on a mutually profitable contract.

The first contract regarding the provision of bank services in the postal network after the merger of DnB NOR and Postbanken was signed August 16th 2000. Since then, the contract

³⁵ Interviews with Tore Jorstad, Per-Knut Christiansen, and Leif-Magne Andersen at DnB NOR,

³⁶ Sparebank1 (2010), Bank i Butikk,

<http://www.snninvest.no/webblink/felles/wlprodukter.nsf/produkter/AHS1972195931?OpenDocument&mid=privat5>,

https://www2.sparebank1.no/portal/3460/3_privat?nfpb=true&_pageLabel=page_privat_innhold&ald=1201861399833

³⁷ Sparebanken Sogn og Fjordane (2010), Lokale kontor,

https://www.ssf.no/wps/portal/3890/lut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gIxs8nZzcPIwP_UCBhZGhuFuZnbuLv5mqm7-eRn5uqX5DtqAgAFIMwda!!/dl3/d3/L2dJQSEvUU3QS9ZQnZ3LzZfMjJMQkNGSDIwT1VIMjAyMTc2Vk43NE9GMTc/

³⁸ Interviews with Tore Jorstad, Per-Knut Christiansen, and Leif-Magne Andersen at DnB NOR, and Odd Birkenes at Norgesgruppen

³⁹ Information in this section is based on interviews with representatives from Norway Post and DnB NOR, DnB NOR (2011), Spørsmål vedrørende agentavtalen mellom Posten og DnB NOR Bank ASA, Norway Post (2011), Svar vedrørende agentavtalen med DnB NOR.

has been renegotiated on two occasions. Firstly in 2005, when Norway Post allowed market players to bid for the provision of bank services and thereafter in 2009, when the contract regarding the provision of basic bank services was renegotiated and extended until the end of 2017. Until the end of 2012, this contract can cease with 18 months notice. Thereafter, the notice period is reduced to six months. From 2013, Norway Post can also choose to let market players bid for the provision of basic bank services and in that way open up for a new partner.

The contract between the two parties implies that Norway Post is compensated through a per-transaction compensation as well as coverage of certain fixed costs. Regarding post offices, this includes operating costs for equipment and computer systems, costs incurred through counting money, and lease costs for the post offices where DnB NOR has financial advisors, for example. Regarding rural delivery, the compensation is a fixed amount for the time postal workers spend on registering bank transactions at the post office after finishing the delivery round. The compensation for fixed costs in post-in-shops covers, for example:

- Costs of Cash-Guard equipment
- Costs of money transport
- A share of the fixed compensation to the post-in-shops
- A share of IT operating and equipment costs

In turn, Norway Post pays each post-in-shop outlet a compensation per-transaction. [confidential].

[confidential].

Whereas the per-transaction compensation at post-in-shops is equal irrespective of transaction type, the compensation for post office and rural delivery transactions varies with the type of transaction. For all transactions except money withdrawals and deposits conducted by bank card⁴⁰, the compensation at post offices and in rural delivery is higher.

Today, the bank obligation incurs a net cost for Norway Post.

[confidential]

Future provisions of bank services on commercial basis

In the absence of a bank obligation, Norway Post would discontinue all services incurring an avoidable net cost. In the case that bank services could be provided profitably, however, Norway Post would consider continuing the provision.

⁴⁰ In 2009, these transactions represented 36% of all bank transactions (within the bank obligation) in the postal network

Although the demand for manual bank services is expected to further decline, Norway Post estimates the total revenues from bank services (in a scenario with the current network structure) at [confidential] million in 2012. If the split of transactions between post offices, post-in-shops, and rural delivery remains as it is today, this implies revenues of approximately [confidential] for all post offices, or about [confidential] per post office. Discontinuing bank services without closing post offices and converting them to post-in-shops would not allow for cost cuts of an equal size. This indicates that the better option for Norway Post would be to keep the bank services to fill capacity.

Without a bank obligation, Norway Post's position in contract negotiations would improve and profits would move between the market players. Until today, DnB NOR has had the upper hand during negotiations with Norway Post and has thus been able to stipulate favorable conditions in the contract. There are three main reasons for this:

First, the bank obligation forces Norway Post to provide bank services in the postal network.

Second, the requirement stating that bank services must be provided by a financial institution clearly limits the number of available partners to cooperate with.

Third, DnB NOR was the only *real* alternative in the bidding process in 2005, cf. Box 3.2.

Box 3.2 Why DnB NOR was the only real alternative

In 2005 when Norway Post decided to let market players bid for the provision of its bank services, DnB NOR was one of fifteen parties interested in fulfilling the assignment. As most of the bidders did not fulfil the basic requirements, only three were chosen for further negotiations with Norway Post. However, due to extensive investment requirements (no less than national provision of bank services was required) and lacking experience with this type of assignment, two of the bidders withdrew from the procedure, leaving DnB NOR as the only real alternative.

The reason why DnB NOR had both the capability and incentive to win is largely explained by its history as previous cooperation partner with Norway Post and its large customer base used to the provision of bank services in the postal network.

Source: Norway Post (2010), e-mail from Tarjei Weseth, 2 December 2010

If, in the absence of a bank obligation, Norway Post could negotiate a contract with sufficiently favorable conditions, it is possible that bank services would continue to exist in parts of the postal network. However, the outcome of the negotiations depends on the banks' incentives to provide services in the postal network.

From the standpoint of DnB NOR, we find several reasons why the bank would think it important to be present in the postal network both in the present and future:

- Access to trained personnel
- Long experience with the provision of bank services
- Close proximity to an established customer base

- Norway Post's strong brand effect⁴¹
- Low fixed costs

However, a contract with Norway Post also implies some costs for DnB NOR which would otherwise not have been incurred. These include external costs in physical distribution; internal costs related to administration of the relationship with Norway Post at central and local level and continued focus on more dated distribution forms.⁴²

⁴¹ The brand effect would most likely be strong even if the Postbank brand as such disappeared. This is due to the fact that people often associate the brand of the national postal operator with solidity and trust.

⁴² DnB NOR (2011), Spørsmål vedrørende agentavtalen mellom Posten og DnB NOR Bank ASA

Chapter 4 ALTERNATIVE REGULATION

In the absence of a bank obligation, there are several ways to ensure the provision of basic bank services to vulnerable customer groups. In this chapter we describe five of the alternatives, all of which have both advantages and drawbacks which should be considered before any are chosen. Most of the alternatives listed below have been considered by the Swedish Post and Telecom Agency in their evaluation of the provision of basic payment services.

4.1. PARTIAL UPHOLDING OF THE CURRENT BANK OBLIGATION

First, the Norwegian Government can choose to maintain Norway Post's bank obligation, perhaps in a modified version. One modification of the bank obligation is to retain it only for rural services, either in its current form or in a reduced form, where fewer households have access to the services provided and/or fewer services are provided, such as cash withdrawal and cash deposits only.

The main advantage of this option is that both the provider (Norway Post), and the targeted customer groups are already familiar with the provision of these services. Moreover, as Norway Post already has an established nation-wide network, it is likely to have a cost advantage in the provision of the services in relation to other potential providers. The main drawback is that Norway Post would continue to rely on the cooperation with a financial institution for the provision of such services. This might put Norway Post in a disadvantageous situation since the banks have the upper hand in negotiations. Losses incurred will be compensated by the Government.

4.2. PUBLIC TENDERING ON NATIONAL LEVEL

Second, the Government can choose to use public tendering on a national level to procure the provision of basic bank services to targeted groups of the population.

The main advantage of this option (at least in theory) is that other service providers which might be able to provide the services cheaper and more efficiently than Norway Post are allowed to bid for the contract. If several providers are interested, the cost for the provision would be pushed down to a competitive level. However, the main drawback is that there is normally one or only a few market players that actually are able to carry out the assignment. Only Norway Post has a suitable network in sparsely populated areas. Hence, no other bidder can compete effectively. The option to use national procurement has been tried in Sweden, for example, and is described more fully in chapter six.

4.3. INTERVENTION AT LOCAL OR REGIONAL LEVEL

Third, the Government can choose to apply local or regional solutions, such as delegating the responsibility of basic bank service provision to individual municipalities or organizations representing the most vulnerable customer groups.

These solutions often have the advantage of not becoming a “one size fits all” response, but instead allow flexible and tailored solutions which can meet different needs in different parts of the country.

One solution could, for instance, be to establish a cooperation project between public bodies, non-for-profit organizations, and commercial operators. This could facilitate the development of customized solutions. As non-for-profit organizations often have good knowledge and competence regarding the needs of vulnerable customer groups, public bodies can take advantage of this when deciding how to solve the problem. In addition, commercial operators might be able to assist with advice regarding new solutions and the possibilities of meeting the need with a market-based response. This type of solution might be a viable alternative to ensure services at both local and regional level and is one of the preferred future solutions in Sweden.

However, one drawback with interventions at local or regional level is that the direct link between governmental support and the provision of basic bank services to vulnerable customer groups might become less clear as the responsibilities are moved to special organizations or individual municipalities in sparsely populated areas.

If local or regional solutions are insufficient, one solution might be to complement them by public tendering on national level. Nevertheless, regional or local competence and knowledge can also be useful in this context as it allows for the procured services to be better targeted to actual needs. For instance, regional authorities can provide the Government with suggestions regarding areas and services where procurement is required. For instance PTS has initiated a discussion with the Swedish Agency for Economic and Regional Growth about future cooperation in the area of basic payment services. PTS also intends to discuss possible solutions with the County Administrative Board in the region of Dalarna, which has coordinated the monitoring of the provision of basic payment services since 2009.⁴³

4.4. PROVISION OF ATMs AT SPARSELY POPULATED LOCATIONS

A *fourth* option to tackle the problem related to cash transactions could be to install ATMs at sparsely populated locations without immediate access to a bank office or bank-in-shop. This option has been tried in Sweden in a pilot project involving the Swedish Agency for Economic and Regional Growth, ICA and the ICA Bank. The project involves four loca-

⁴³ The Swedish Post and Telecom Agency (2010), Grundläggande betaltjänster – delredovisning av regeringsuppdrag

tions in the Swedish archipelago and in the mountains where the need for basic bank services varies significantly with the seasons. Mobile ATMs have been placed inside local shops at these locations. Experiences from the project have been positive and are currently evaluated in PTS's assessment of how to ensure that all citizens have basic payment services in the future.⁴⁴

4.5. OTHER INITIATIVES

In addition to the alternatives described above, publicly initiated initiatives to increase the user-friendliness of electronic self-service solutions could be a means to increase (although not guarantee) access to basic payment services. Such initiatives could be combined with information about the use of electronic alternatives targeted to specific groups. In this way access to bank services could increase for some individuals who cannot use electronic alternatives due to reduced eyesight or other disabilities, for example.

Based on our assessments, we recommend that the bank obligation on Norway Post is reduced to only include the provision of services to elderly and disabled individuals on rural delivery routes.

⁴⁴ The Swedish Post and Telecom Agency (2010b), Grundläggande betalningstjänster – redovisning av regeringsuppdrag.

Chapter 5 | FUTURE COSTS

Norway Post receives annual compensation from the Government for service obligations constituting a net cost. For this purpose, Norway Post performs yearly calculations of the joint net cost related to its obligations regarding bank services and network structure. The net cost for 2010 was estimated at NOK 132 million. For 2012, the net cost is estimated to be at least NOK 166 million⁴⁵.

This chapter is devoted to the estimation of the net cost of Norway Post's bank obligation in six different scenarios, cf. Table 5.1.

Table 5.1 Future scenarios of bank obligation

Scenario	Bank obligation	Requirements on network structure
1a	Full obligation in the entire network (as today)	Maintain all 179 post offices and 1260 post-in-shops
1b	Full obligation in the entire network	Maintain number of service points (no lower limit on the number of post offices)
2a	No bank obligation	Maintain all 179 post offices and 1260 post-in-shops
2b	No bank obligation	Maintain number of service points (no lower limit on the number of post offices)
3	Obligation reduced to rural services. Full service provision (same services as today)	Maintain number of service points (no lower limit on the number of post offices)
4	Obligation reduced to rural services. Only provision of transactions involving cash.	Maintain number of service points (no lower limit on the number of post offices)

Source: Copenhagen Economics

As we do not have access to detailed information about Norway Post's costs and revenues, we have asked them to calculate the net cost of their obligations regarding bank services and network requirement. [confidential]

The calculations show that abolishing both service obligations could save the Government at least NOK 166 million in compensation in 2012. However, if this was the case, it would involve a prerequisite that requirements on network structure are relaxed such that Norway Post is allowed to convert more post offices to post-in-shops simultaneously. If the requirements on network structure remain, the potential savings from abandoning the bank obligation are very modest. cf. Figure 5.1

Figure 5.1 Net cost of obligations regarding bank services and network structure

[confidential]

Source: Copenhagen Economics, based on calculations made by Norway Post

In the absence of a bank obligation in its current form, vulnerable customer groups would have to be guaranteed the provision of basic bank services in other ways. This would imply some extra costs, reducing the positive effect on Government spending. One way to ensure the provision of bank services to vulnerable customers is to maintain the bank obligation on rural services. This option could reduce Government spending by approximately NOK 115-

⁴⁵ [confidential]

135 million in comparison to the current situation. That is, the net cost of providing bank services on rural routes amount to NOK 30-50 million, depending on the service level.

In chapter 3 we estimated the number of transactions that cannot be moved to alternative solutions to approximately 300,000-500,000 transactions per year. We also estimated the number of vulnerable customers in Norway to approximately 15,000-25,000 individuals. A net cost of 30-50 million would thus imply a cost per transaction of NOK 60-170, or a yearly cost per user of NOK 1,200-3,300, cf. Table 5.2.

Table 5.2 Net cost per transaction and user, NOK 2012

Scenario	Bank obligation	Network requirements	Cost per transaction (NOK)	Cost per user (NOK/year)
1a	Yes	Yes	330-550	6,600-11,100
1b	Yes	No	[confidential]	[confidential]
2a	No	Yes	[confidential]	[confidential]
2b	No	No	[confidential]	[confidential]
3	Rural routes (all services)	No	60-170	1,200-3,300
4	Rural routes (only cash)	No	60-170	1,200-3,300

Note: [confidential]

Source: Copenhagen Economics, based on own estimations of immobile transactions and vulnerable customers + Norway Post's estimation of net costs.

This is significantly less than the cost of the publicly procured solution in Sweden. For 2009, we estimate the yearly cost per user to approximately €1,750 and the cost per transaction to more than €100 (cf. chapter 6).

The calculations in this chapter illustrate how the Governmental compensation to Norway Post depends on the existence of a bank obligation and on the strictness of network requirements. However, we want to stress that the assumptions made (for instance regarding the optimal number of post offices) do not necessarily represent the way in which Norway Post would actually adapt to the new conditions. This is due to the fact that the actual adaptations will depend, to a large extent, on how Norway Post can take advantage of an improved position in negotiations with the banks without a bank obligation. Consequently, the results shall not be interpreted as the precise amount of Governmental compensation incurred in the various scenarios but as an indication of the level of magnitude.

When investigating the six scenarios, we find that the size of the net cost (i.e. Governmental compensation) mainly depends on four parameters:

- The number of Norway Post's own post offices
- The possibility of introducing the new concept "Post-in-shop light"⁴⁶ in parts of the network
- Whether bank services are provided in the network or not

⁴⁶ Post-in-shop light is a simpler version of today's post-in-shops. In post-in-shop light, the spectrum of services provided is smaller, mainly parcels delivery, and the concept does not allow for the provision of bank services.

- Negotiation position vis à vis the banks

Another consideration is whether abolishing the bank obligation in reality would not reduce costs, but transfer them from Norway Post to someone else, such as to the consumers. We find this unlikely. There are two reasons for this.

First, in chapter 2 we found that alternative solutions were not more expensive than the services currently offered in the postal network. This implies that an abolition of the bank obligation would not increase the direct costs for consumers.

Second, in chapter 3 we found that most transactions which currently take place in the postal network can be moved to alternative solutions. We also observed that the distance to the closest service point will not increase significantly without bank services in the postal network. This implies that abandoning the bank obligation will neither increase societal costs in terms of increased CO₂ emissions nor in terms of indirect costs incurred by the consumers in terms of more time required when managing bank transactions.

5.1. SCENARIO 1 – FULL BANK OBLIGATION

If the current bank obligation on Norway Post was to be maintained, the Government would also have to compensate Norway Post in the future for the net costs incurred. However, we also find the size of this compensation to be highly dependent on whether the current requirements on Norway Post's network structure remain unchanged.

Scenario 1a: Unchanged network requirements

If Norway Post is required to maintain a network structure consisting of 179 post offices and 1,256 post-in-shops, we observe that the net cost in 2012 would amount to approximately NOK 166 million plus the cost of restricted negotiation power vis à vis the banks.

This net cost consists, on the one hand, of the profitability improvement that could be obtained by converting 129 of the existing post offices to post-in-shops and, at the same time, the discontinuation of all bank services. In 2010, the Governmental compensation for this part amounted to NOK 132 million. Due to declining volumes of bank services and increased costs, Norway Post estimate this cost to increase over time, resulting in a net cost of approximately [confidential].

[confidential]

Moreover, without a bank obligation and network requirements, Norway Post would be able to improve its position in negotiations with the banks. This further increases the net cost of the bank and post office structure obligations. However, since the profitability improvement resulting from improved negotiation position is difficult to estimate and requires more in-

depth analysis than what has been necessary in this assessment we illustrate this extra cost by “X”. Consequently, total Governmental spending in a situation with unchanged obligations amount to NOK 166 million + X, cf. Table 5.3.

Table 5.3 Governmental compensation 2012, scenario 1a

Costs of bank obligation/network requirements	Million NOK
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
Total net cost	[confidential]

Note: (confidential)

Source: Copenhagen Economics, based on Norway Post (2011)

Scenario 1b: Reduced network requirements

If network requirements are reduced, Norway Post would theoretically be free to convert all post offices to post-in-shops. However, the obligation to provide bank services puts a limit on the number of post offices which can be converted. This is due to the fact that some post offices today currently carry out large numbers of transactions (bank and post) which, for capacity reasons, cannot be moved to a single post-in-shop. In a scenario where Norway Post occasionally replaces one post office with two post-in-shops or a combination of a post-in-shop and a light version of the same, the number of post offices could be reduced to 100 and the corresponding net cost of the bank obligation would amount to [confidential] million plus the revenues forgone resulting from Norway Post’s restricted negotiation power vis à vis the banks, cf. Table 5.4.

Table 5.4 Governmental compensation 2012, scenario 1b

Costs of bank obligation/network requirements	Million NOK
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
Total net cost	[confidential]

Source: Copenhagen Economics, based on Norway Post (2011)

We observe that the net cost is reduced significantly in comparison with scenario 1a. This implies that the largest share of the compensation paid to Norway Post under the current re-

gime is related to the requirements on network structure and not to the bank obligation per se. However, in Norway Post's §10-plan 2010 the necessary number of post offices with bank services obligation still in place are stipulated to 130-150, assuming in general that the largest 130 post offices cannot be converted to post-in-shops due to capacity limitations. By raising the required number of post offices to 130, the net cost increases to [confidential] million. This reflects that the net cost of the bank obligation on Norway Post is closely linked to which extent post offices in practice can be converted to post-in-shops with or without this obligation.

5.2. SCENARIO 2 – NO BANK OBLIGATION

In a scenario involving a complete abolition of the bank obligation, the net cost will (just as in scenario 1) depend on whether the network requirements are maintained or not. However, since the optimal adaptations made will depend on how Norway Post can take advantage of its improved position in negotiations with the banks there is larger uncertainty about the net cost in this scenario. For instance, in a situation without bank obligation it may be that Norway Post would find it profitable to provide bank services on a commercial basis in the entire or parts of its network. Such a solution could imply more than 50 post offices.

Although Norway Post would be able to improve its negotiating position without a bank obligation, we find that there still is a net cost of foregone negotiation power in a scenario with maintained network requirements. This cost (which we represent with “Y”) will, however, be lower than the cost of foregone negotiation power in scenario 1 (which we represent with “X”). This is explained by the fact that potential providers or cooperation partners in this scenario would know that Norway Post is required to maintain a network with a certain cost and a capacity which it would like to fill with products and services. Without such requirements, Norway Post would have the option to trade bank services for a less cost intensive network structure and could thus be more flexible in its negotiations.

Scenario 2a: Unchanged network requirements

In a situation with unchanged network requirements and no bank obligation, the only compensation paid to Norway Post would be the net cost of the inefficient network structure. In this scenario, it will be profitable for Norway Post to utilize the post offices to offer bank services. Hence, the scenario is very similar to scenario 1a where Norway Post has both bank and network obligations. The difference between the two scenarios is that Norway Post will have more flexibility in the post-in-shops and can remove bank services from some post-in-shops. [confidential]

Table 5.5 Governmental compensation 2012, scenario 2a

Costs of bank obligation/network requirements	Million NOK
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
[confidential]	[confidential]
Total net cost	[confidential]

Note: [confidential]

Source: Copenhagen Economics, based on Norway Post (2011)

It is also important to bear in mind that although Norway Post no longer has a formal bank obligation in this scenario, vulnerable people in sparsely populated areas still have to be guaranteed access to basic bank services. Moreover, this implies additional costs which are not part of the compensation to Norway Post. Where these costs are incurred depends on the alternative regulation in the absence of a bank obligation, cf. Chapter 4 on alternative regulation. Moreover, one should notice that Norway Post may find it profitable to offer bank services even if the obligation to provide bank services is lifted. A stronger negotiation power resulting from abolishment of the obligation could possibly give rise to such a solution. This effect is probably more significant in alternative 2b than in 2a.

Scenario 2b: Reduced network requirements

In a scenario with no bank obligation and reduced network requirements on Norway Post, there will be no net cost compensation paid to Norway Post per se regarding bank services and network structure. However, as mentioned in the previous section, costs will still be incurred in order to guarantee the provision of basic bank services to targeted groups of individuals.

This scenario serves as a reference scenario, i.e. the net cost in the other scenarios is defined as the profit foregone when Norway Post is prevented from adapting its network and service provision in the most optimal way.

5.3. SCENARIOS 3 AND 4 – REDUCED BANK OBLIGATION

One possibility of guaranteeing the provision of basic bank services to vulnerable households in sparsely populated areas could be to keep the bank obligation in a reduced form, covering only rural delivery routes.

As we have found that virtually all non-cash bank transactions at rural delivery routes can be substituted with alternative solutions such as letter giro, direct debit, or internet banking, we

create two alternative scenarios regarding a reduced bank obligation: The first including both cash- and non-cash transactions, and second including only cash transactions.

The net cost of bank services in the rural delivery network is not connected to requirements on network structure. Moreover, the calculations assume that practical and inexpensive solutions regarding the registration of rural bank transactions can be found through cooperation with banks and outlets with a bank-in-shop. Furthermore, according to Norway Post it should not be expected that costs in the two alternative scenarios below will differ significantly in practice as there is a large share of fixed direct costs involved and both scenarios to some extent involve cash handling. Thus Norway Post estimates the net cost in both alternatives to approximately NOK 30-50 million, taken into account both direct fixed and variable costs. This is a rough and conservative estimate based on a full cost allocation calculation.

Scenario 3: Reduced bank obligation including all types of transactions

The net cost of a bank obligation for rural delivery services is on the one hand incurred in the physical distribution when the postal workers has to spend extra time to handle bank transactions. This includes serving the customer, carrying cash register to/from van, counting money, and registering the transactions at a post office, for example. On the other hand, extra fixed costs are incurred since the bank obligation (also in a reduced form) requires certain investments on a central level. These include, overhead labor costs, property costs, and depreciation on inventories, for example.

Taking both fixed and variable costs into account, Norway Post estimates the net cost for 2012 to be NOK 30-50 million.

Scenario 4: Reduced bank obligation including only cash transactions

Reducing the bank obligation to cash transactions would reduce the net cost incurred slightly. However, due to the fact that a main part of the net costs are fixed and that non-cash transactions only constitute a small share of bank transactions at rural delivery routes⁴⁷, there is only a small change in net cost when excluding non-cash transactions. For this reason, Norway Post estimates the net cost in this scenario to be approximately equal to the previous scenario including all types of transactions, i.e. approximately NOK 30-50 million in 2012.

⁴⁷ According to our interviews with rural postal workers in Seljord, Trysil, Brønnøysund, Ulsvåg, and Alta, the most common type of bank transaction at rural delivery routes is cash withdrawal, followed by payments and payouts. In 2009, cash transactions represented 68 percent of all bank transactions conducted at post offices and post-in-shops

Chapter 6 | CASE: THE SWEDISH EXPERIENCE

The Swedish Post has a long history of providing payment services. The Postal Bank dates back to the 19th century and the Postal Giro system was a central part of the Swedish payment system throughout the 1900's. But following the changed regulation in the financial and postal markets in the 1990's, Posten AB decided to leave the financial markets altogether, cf. Table 6.1.

Table 6.1 Timeline, The Swedish Post and Payment services

1880's	1925	1993	1994	1999	2001
The Postal Savings Bank opens within the National Post	The Postal Giro begins	The National Post no longer has a monopoly on mail services	The National Post is turned into a shareholder company, Posten AB The Postal Giro becomes a bank	Posten AB decides to leave the financial markets	The Postal Giro is sold to Nordea. The government decides that Posten AB shall provide basic payment services throughout the whole of Sweden

Source: PTS (2003)

As a result of regulatory changes and necessitated by financial conditions, Sweden went through a process of gradually closing down Post offices during the 90's and 00's, cf. Table 6.2. With these closures came a loss of access to basic payment services for some people living in the remote countryside or people with disabilities which prevented them from traveling. However, the government decided in 2001 that Posten should be the USO-provider of basic payment services for the entire country.

Table 6.2 Changes to Posten AB:s service network

year	1993	1995	1997	1999	2001	2003
Own service points	1494	1289	1075	922	829	772
Service point with partner	253	378	433	530	483	395
Total	1747	1667	1508	1452	1312	1167

Source: PTS (2003)

Required by law to ensure access to basic payment services, Posten set up "Kassaservice" as an independent entity to only cover payment services. In most cases Kassaservice remained on smaller premises where the Post office had previously been.

But Kassaservice turned out to be an expensive venture. Yearly losses of €45 Million were covered by government funding, and its position as a competitor to the regular banking system brought the attention of the Commission which meant that government funding to Kassaservice was a clear case of unlawful state aid given by the Swedish government. The ensuing discussions between the Swedish Government and the Commission ended with Kassaservice being gradually closed down. By the end of 2008 all offices were shut. There was no discussion as to whether parts of the office network could have been retained in remote areas.

6.1. CONSIDERATIONS AND CHALLENGES

Though Kassaservice had closed, there was still a clear political goal that “basic payment services” should be available “to all citizens in Sweden, at a reasonable cost”. However, the government did not explicitly state what services to include so the Post and Telecom Regulator (PTS) was free to define which services to include in practice and to analyze who did not have access after the closing of Kassaservice.

Through analyzing living and travelling patterns, PTS found that 0.5% of the population lacked access to basic payment services in 2007. Those lacking access were mainly elderly and disabled people living in remote locations, defined by PTS as being more than 30 km from a service point already providing basic bank services. Another group was asylum seekers who did not have personal identification documents.⁴⁸

The total number of people who, thus defined, did not have access to payment services was some 40,000 individuals.⁴⁹ The remaining population either had closer service points or travelling patterns such that access was not a problem. The services analysed by PTS were mainly personal services, making payments, receiving and withdrawing cash. PTS determined that cash handling for small businesses and the opening of personal bank accounts was not a problem which needed to be addressed, as the market handled those services satisfactory. However, some remotely located businesses had to travel long distance with their cash, and relatives and friends had to handle the bank account issue for those not able to travel.

6.2. SOLUTIONS

Since the Kassaservice, the USO type of solution, failed, another route had to be tried. It seemed that the only alternative considered in Sweden was a publicly procured solution. The idea was that the government, through PTS, would procure the provision of basic payment services in areas where they were not commercially available.

The first step was to assess where the market did not provide the basic payment services, regardless of whether the market used bank offices, bank-in-shops or some other types of solutions.

A solution was found for asylum seekers by the immigration authorities. PTS found that the provision of basic payment services for the elderly and disabled in remote areas was lacking in 15 small villages and 73 geographic areas, where it had to be procured.

⁴⁸ Interview with Anna-Karin Hellsten, PTS, 25 November 2010.

⁴⁹ It was not clear however, whether this part of the population had access at an earlier point, either with the old Post office network or with the full Kassaservice network. But the political intention was clear; from now on, everyone shall have access to basic payment services.

The provision of basic payment services in these areas for 2009-2012 was put up for public tender, administered by the PTS. The government had prescribed that the provider of basic payment services had to have “bank”⁵⁰ status, in order to have a stable and transparent system. Unfortunately, this greatly restricted the number of available bidders. Only one bidder expressed interest in providing the required services. The bidder was a joint venture between ICA (Sweden's largest food retailer) and Kuponginlösen AB (a company which handles the coupon clearing business for most of the Swedish retail sector).

PTS entered into a negotiation with ICA/Kuponginlösen. Unfortunately, the PTS budget for the reform was publicly available, so the authority's bargaining position was not the best. In the end, a price of €21 million was agreed for the entire four-year period.⁵¹

Up until 22 June 2012, ICA/Kuponginlösen provides the basic Payment services for the 15 villages through their grocery stores premises, called “Betalservice” and for the 73 geographical areas through an agreement with Posten AB which uses their rural mailman network; the service is called “Brevgiro””, cf. Table 6.3.

Table 6.3 Basic payment services procured 2009-2012

Service type	Functioning	Geography	Services
Brevgiro	Rural mailman visits household and handles transaction	73 remote areas	Paying bills Payouts
Betalservice	In-store handling of basic payment services at local ICA grocery store	15 small villages without any banking facilities	Paying bills Payouts Cash withdrawal

Source: PTS (2010a)

The individual need to apply to be eligible to use the Brevgiro services,⁵² while Betalservice “offices” are open to all. The services are not free; there is a fee of €4 to pay a bill and a cost of €3 to take cash out within the system.⁵³

6.3. LESSONS LEARNED

The total cost for providing “basic payment services” to “all citizens” for 2009-2012 was as described above €21 million (SEK 189 million). This is of course a major financial improvement on Kassaservice's yearly losses of €45 (SEK 400 million). But use of the system still remains very small.

⁵⁰To be a “bank” and provide accounts and administer payments one needs governmental permission, and the company is under the supervision of “Finansinspektionen” -the Swedish Financial Supervisory Authority.

⁵¹ Interview with Anna-Karin Hellsten, PTS, 25 November 2010

⁵² If everyone in the household is older than 80 or has a disability, the household is eligible to use Brevgirot as well.

⁵³ www.kuponginlosen.se

There were only 3,000 active users of Brevgirot and during 2009, a total of 58,000 transactions were made through the Brevgirot and Betalservice systems, cf. Table 6.4. The use has decreased further during 2010 even if definitive numbers are not available yet.

Table 6.4 The use of the procured payment services, Sweden 2009

Service	Transactions 2009
Paying bills	16,570
Cash Payout	4,448
Cash Withdrawal	37,113
Total number of transactions	58,131

Source: PTS (2010a),

Adding up the transactions over the four year period⁵⁴ indicates it is unlikely that more than 200,000 transactions will be made during 2009-2012. Splitting the cost of €21 million yields a cost *per transaction* of more than €100. And the cost *per user* is €1,750 per year.

PTS are in the process of finding a post-2012 solution. Due to the low usage, the authority does not want to repeat the nationally procured solution, which was, in their opinion, far too expensive. If the Government still prefers a second round of public tendering, PTS argues that the requirement for bidders to be “banks” should be scrapped, in order to increase the number of possible bidders.

Furthermore, PTS finds that if procurement should prove necessary it shall only be used as a complement to regional support and development initiatives. Any procurement must also be based on a sound regional assessment of the local needs and market conditions.⁵⁵ An example of regional support is financial support to transportation services for people who cannot access physical service points such as grocery stores. PTS proposes that bank services could be made part of this solution to increase availability of payment services to immobile people.

⁵⁶

Another complementary solution considered by PTS is the introduction of measures to stimulate supply of bank services on a commercial basis without any obligation or governmental compensation. One example of this is the development of accessibility indices and the provision of publicly available reports showing the accessibility of various alternatives. The intention is to encourage banks and shops to increase their geographical coverage, mainly in sparsely populated areas.

PTS has also presently started to work together with the major banks and local authorities to improve access to online payment services through improved interfaces and simplified procedures. Hopefully this will enable some of those without physical access to basic payment

⁵⁴ The actual number of transactions is only known for 2009.

⁵⁵ PTS (2010b)

⁵⁶ Interview with Pär Lindberg, PTS, 21 January 2011

services to perform those services online, which had previously been discarded as too complicated.⁵⁷

⁵⁷ Interview with Anna-Karin Hellsten, PTS, 25 November 2010

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[QG1EOAA2S_28!/dl3/d3/L2dJQSEvUUt3QS9ZQnZ3LzZfMjJMQkNGSDIwT1VIMjAyMTc2Vk43NE9GSDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/3890Innhold/SSF+Site/About/Local+Pages/Stryn/](https://www.ssf.no/wps/portal/3890!/ut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gjIx8nZzcPIwP_UCBhZGhuFuZnbuLvZmgOli9Ekrfw9TAz8LQINgqwdAEKuhgS0O3nkZ-bql-QG1EOAA2S_28!/dl3/d3/L2dJQSEvUUt3QS9ZQnZ3LzZfMjJMQkNGSDIwT1VIMjAyMTc2Vk43NE9GSDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/3890Innhold/SSF+Site/About/Local+Pages/Stryn/)

The Swedish Post and Telecom Agency (2003), Grundläggande kassaservice i Sverige- en lägesbeskrivning och analys.

The Swedish Post and Telecom Agency (2010a), Grundläggande betalningstjänster - delredovisning av regeringsuppdrag

The Swedish Post and Telecom Agency (2010b), Grundläggande betalningstjänster - slutredovisning av regeringsuppdrag

Interviews

DnB NOR, face-to-face interview with Tore Jorstad, Leif-Magne Andersen, and Per-Knut Kristiansen 30th November 2010

Norgesgruppen, telephone interview with Odd Birkenes, 10th December 2010

Norway Post, face-to-face interview with Tarjei Weseth and Kristin Bergum, 30th November 2010

Norway Post, telephone interviews with rural postal workers in Seljord, Trysil, Brønnøysund, Ulvsvåg, and Alta

Norway Post, telephone interviews with post office employees in Oslo, Majorstuen, Ålesund, Bragernes, and Tromsdalen

Norway Post, telephone interviews with employees at outlets hosting a post-in-shop in Elvebakken, Burfjord, Revetal, and Lom

The Swedish Post and Telecom Agency, face-to-face interview with Anna-Karin Hellsten,
25th November 2010

The Swedish Post and Telecom Agency, face-to-face interview with Pär Lindberg, 21st January 2011

APPENDIX A: INTERVIEWS WITH RURAL DELIVERY, POST-IN-SHOPS, AND POST OFFICES

Table 6.5 List of interviews

Rural delivery	Post-in-shops	Post offices
Seljord	Elvebakken	Oslo central station
Trysil	Burfjord	Majorstuen post office
Brønnøysund	Revetal	Ålesund
Ulvsvåg	Lom	Tromsdalen
Alta		

Source: *Copenhagen Economics*

Questions to postal workers on rural delivery routes:

1. What are the criteria which need to be fulfilled for a household to receive rural delivery?
2. How many households are there approximately per route?
3. At approximately what proportion of households is there someone at home when the postal worker arrives?
4. Does the postal worker know in advance if someone in the household wants to conduct a bank transaction at any given day? If there is no mail to deliver, can the postal worker skip the household, or does s/he have to visit it regardless?
5. Approximately how many bank transactions are there per postal worker per route and week?
6. What types of transactions are most common?
7. Who uses the bank services provided by rural postal workers (elderly, young, or disabled people, other)?
8. What are the reasons for using the bank services provided by rural postal workers?
9. Approximately what proportion of customers does not have a bank account?
10. Do the users have other alternatives? Which?
 - a) Bank office
 - b) Bank-in-shop
 - c) Giro transfer
 - d) Internet bank
 - e) Telephone bank
 - f) Other

Questions to shop managers in outlets with post-in-shop

1. Does your shop host both a post-in-shop and a bank-in-shop?
2. If yes, where do customers go when they want to:
 - a) Withdraw money
 - b) Deposit money
 - c) Make payments
 - d) Collect payouts
3. If customers choose a specific counter, what is the reason?
4. Approximately how many bank-transactions are performed in the post-in-shop per week?

5. What types of transactions are most common?
6. Who uses the bank services provided in the post-in-shop (elderly, young, or disabled people, other)? Why?
7. Approximately what proportion of customers does not possess a bank card?
8. Approximately what proportion of customers does not have a bank account?
9. Is there a difference between the type of customers who choose to conduct their bank errands at the post-in-shop and those who choose to conduct them at the bank-in-shop?
10. How far is it to the closest bank office or bank-in-shop?

Questions to post office employees

1. How many inhabitants are there in the city/town where the post office is located?
2. Approximately how many bank transactions are conducted per week?
3. What types of transactions are most common?
4. Who uses the bank services provided in the post office (elderly, young, or disabled people, other)? Why?
5. Approximately what proportion of customers does not possess a bank card?
6. Approximately what proportion of customers does not have a bank account?
7. How far is it to the closest bank office or bank-in-shop?
8. How far is it to the closest supermarket?

APPENDIX B: QUESTIONS REGARDING THE CONTRACT BETWEEN NORWAY POST AND DNB NOR

1. I Postens årsrapport 2009 kan vi læse følgende:
”Dersom det i perioden skjer endringer i Postens lovpålagte plikt å tilby grunnleggende banktjenester, kan avtalen sies opp på visse vilkår. For perioden 1.1.2013 – 31.12.2017 er det avtalt særlige bestemmelser dersom Posten helt eller delvis vil måtte konkurransutsette de tjenestene som omfattes av agentavtalen.”
 - a) Hva er de vilkår, som omtales i den første setning ovenfor?
 - b) Hva innebærer de særlige bestemmelser knyttet til en konkurrenceudsættelse af banktjenesterne?
2. Vi har ved vores tidligere møder fået at vide, at DnB NOR kompenserer Posten for omkostninger knyttet til banktjenester i PiB. Dette gøres gennem dækning af en del faste omkostninger, såsom it-udstyr, del af husleje, træning af personale etc. + en godtgørelse per transaktion foretaget.
 - a) Hvilke er de faste omkostninger, som dækkes af DnB NOR?
 - b) Hvad er kompensationen per transaktion? Er der forskellig kompensation for forskellige typer transaktioner?
 - c) Kan I bekræfte, at den nye aftale mellem Posten og DnB NOR garanterer Posten en omkostningsdækning, der også vedrører transaktionsomkostninger (dvs. Posten har ikke en negativ margin på hver banktransaktion foretaget hos PiB)?
 - d) Har Postens margin på banktransaktioner i PiB ændret sig fra den forrige til den nye aftale? Og i så fald hvordan (højere, lavere)?
3. Aftalen mellem Posten og DnB NOR omfatter også banktjenester, som sælges via postkontor og landpostbud.
 - a) Hvad er de faste omkostninger hos postkontorer og hos landpostbud, som dækkes af DnB NOR?
 - b) Hvad er kompensationen per transaktion på postkontorer og hos landpostbud? Er der forskellig kompensation for forskellige typer transaktioner?
 - c) Kan I bekræfte, at den nye aftale mellem Posten og DnB NOR garanterer Posten en omkostningsdækning, der også vedrører transaktionsomkostninger (dvs. Posten har ikke en negativ margin på hver banktransaktion foretaget på postkontorer og hos landpostbud)?
 - d) Er postens margin på banktransaktioner på postkontorer og hos landpostbud ændret fra den forrige til den nye aftale? Og i så fald hvordan (højere, lavere)?
4. DnB NOR har udover aftalen med Posten aftaler om salg af banktjenester i butikker indenfor Norgesgruppen. Vores forståelse er, at også denne aftale har en struktur med dækning af faste omkostninger + en kompensation per transaktion.
 - a) Er vores forståelse af aftalens struktur korrekt?
 - b) Hvilke forskelle er der mellem PiB og BiB i de to aftaler vedrørende de faste omkostninger, som dækkes?
 - c) Hvilke forskelle er der mellem PiB og BiB i de to aftaler vedrørende kompensationen per transaktion?
5. Hvilke fordele og ulemper har aftalen for Posten henholdsvis DnB NOR?

| APPENDIX C: CONFIDENTIAL INPUT FROM NORWAY POST

Appendix C contains the following documents:

- Copenhagen Economics (2011), Responses to interviews – rural delivery, post-in-shops, and post offices
- Norway Post (2010), Posten 101130, Statlig Kjøp modell
- Norway Post (2011a), SV Svar vedr agentavtalen med DnB NOR
- Norway Post (2011b), Endelig svar scenarioer CE
- Norway Post (2011c), Lønsmohedsforbedringer ulike alternativer
- Norway Post (2011d), Prisliste bank 2010
- Norway Post (2011e), SV Scenarier_indspill fra Posten

| APPENDIX D: CONFIDENTIAL INPUT FROM DNB NOR

Appendix D contains the following documents:

DnB NOR (2011), Spørsmål vedrørende agentavtalen mellom Posten og DnB NOR Bank ASA