

Bottom Up Costing Model for determining the cost of postal services

On behalf of a European Postal Regulator, SVP Advisors has developed a Bottom Up Costing (BUC) model for determining the cost of Postal Services provided by the Universal Service Provider (USP).

Following an onsite review of the postal services' processes and relevant data, we built a costing model covering all services and activities carried out by the USP for the different parts of the postal value chain: collection, sorting (inward and outward), transport and delivery.

The model takes into account cost efficiencies achieved in certain processes (e.g. counters, mail conveyance and sorting), variations in costs due to different service parameters (e.g. weight of postal items) and geographical specifics.

The model's main output is the unitary cost for USP to provide each of the postal services in its current portfolio, while promoting accountability and transparency by estimating the resources required per postal process for each geographical area.

The model is instrumental in providing an economic assessment of the pricing policy used by the USP and an analysis of potential anti-competitive practices.

Calculation flow of the BUC model

