

Newsletter

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EDITORIAL

Liberalisation is the way forward



Philippe Bodson

The European Commission's Report on the impact of the '97 Postal Directive was adopted on 26 November. The EU's original intention was to adopt the Report before 31 December 2000 – two years ago and three years after the entry into force of the Directive.

I cannot avoid thinking what the impact on liberalisation could have been if the Report had been published two years ago. Then, the European debate on increased liberalisation was at a peak following the Commission's proposal for further market openings. The European Parliament was in the process of adopting its initial view on the proposal. Many undecided EU Member States were considering accepting a final date for full liberalisation. The Commission would most probably not have opposed moves by the Member States and the European Parliament towards a final date. I believe that the message in the Report is so strong that, had it been published then, it could have influenced the outcome towards a final date. The reason for me believing this is simple. The Report underlines that liberalisation has had a significant and positive impact for consumers and other users, employment, modernisation, cost efficiency, customer focus and innovation. The lesson that can be learned from this is that the up-coming political debate on further EU market

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■ EC REPORT ON THE '97 DIRECTIVE

The FFPI welcomed the European Commission's long-awaited Report on the current status of the EU postal market. The main evidence from the report, which was adopted by the Commission on 26 November, is that liberalisation improves consumer choice and the quality of service and that it should be completed as soon as possible. "European decision-makers will have to acknowledge that full liberalisation at the latest in 2009 is the only way forward to achieve better postal services. In addition, Member States should take individual initiatives, as done by the UK for instance, and open their markets before the date set at EU level", said FFPI President, Philippe Bodson.

The Report also underlines the alarming distortions of competition that the FFPI has raised for some time with the Commission. Some Member States still have not established truly independent national postal regulators, four years after the EC Directive entered into force. Moreover, national postal incumbents are increasingly behaving as commercial operators while continuing to benefit from monopolies and state aid. Such behaviours have a negative impact on quality, choice and price as well as on Europe's competitiveness.

The FFPI considers that the Report is a good starting-point for the future Commission studies on the postal sector that will be coming periodically. However, the FFPI recommends that the future reports include more detailed analysis of the sector. This should cover in particular improved quality measurement criteria for national and cross-border mail services, specifically for the monopolised services, close examination of price structure and barriers to entry in the postal market.

In a letter recently sent to Commissioner for Internal Market, Frits Bolkestein, FFPI President Bodson expressed his concern for the large differences between national frameworks in the EU Member States, which have hampered the development of competition in the postal market. This regulatory asymmetry increasingly threatens to distort the market as further steps are taken towards liberalisation. "The number of infringement and competition cases at both Member State and EU levels risk increasing as a consequence of this", Bodson wrote. In this context, the FFPI fully support the Commissions' actions, as a first step, to ensure that all Member States appoint independent national regulators ■

THE EC REPORT IN A NUTSHELL

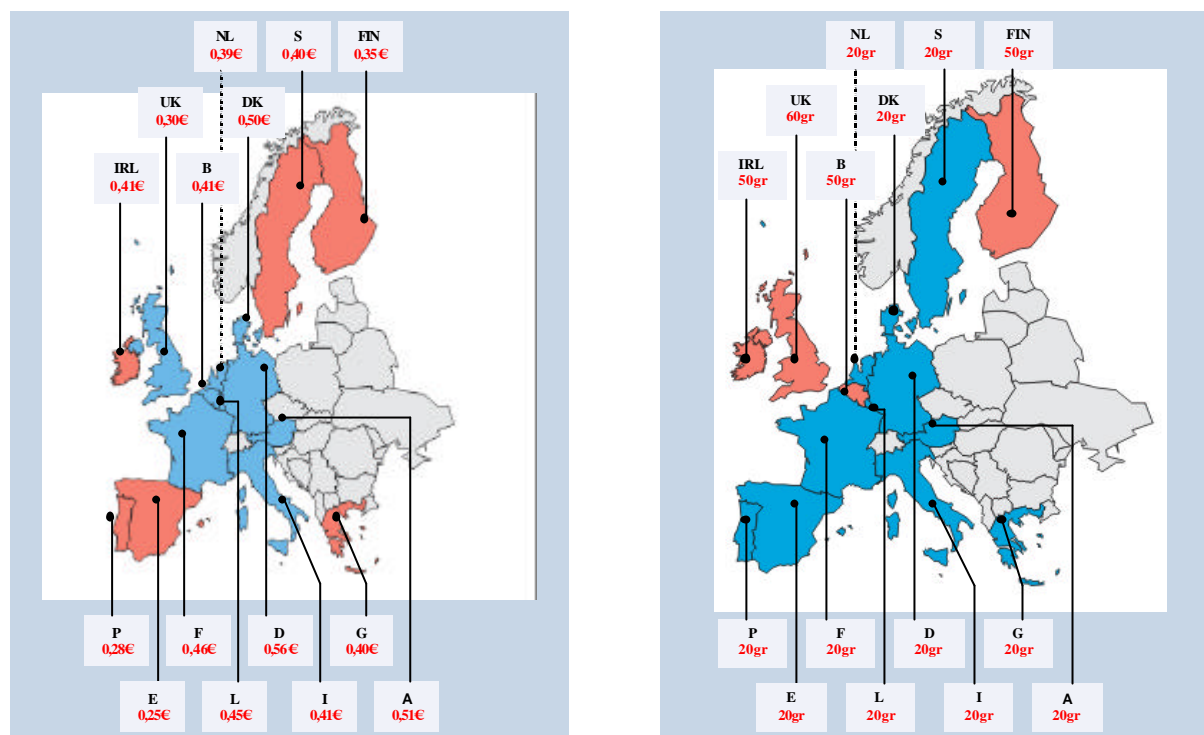
The Commission reports that with the application of the '97 Postal Directive the following was achieved:

- Implementation of a common maximum reserved area across the EU;
- The universal postal service has been safeguarded in all Member States;
- The quality of postal services has improved;
- The Directive has been implemented correctly in most Member States;
- Employment levels have been sustained;
- Only limited competition in the mail market segment. The USPs have maintained their dominance.
- The Commission has initiated infringement proceedings (e.g. against Belgium and France for lack of independent Postal regulators);

To read the Commission Report visit:
http://europa.eu.int/comm/internal_market/en/postal/stud/com2002-632/com2002-632_en.pdf

STAMP PRICES IN THE EU

Second FFPI survey reveals worrying changes



The 2002 FFPI study on stamp prices reveals remarkable continued pressure by postal operators for price increases in a number of countries and a worrying trend towards changes in the traditional stamp price structure.

The FFPI's research report on stamp prices in the 15 EU Member States demonstrates that the significant stamp price differences registered in 2001 have not been reduced. This shows that users in several countries are still being overcharged. In addition, postal users now have to pay more for a basic domestic letter than last year in Finland, Greece, Ireland, Portugal, Spain, and Sweden. Furthermore, in several EU States, national postal operators have applied to the Postal Regulators requesting further price rises.

The FFPI chart highlights that some EU postal operators have recently changed their price structure extending the threshold for basic postal tariffs from 20 to 50 grams. Postal operators have promoted this change as positive for postal users who undisputedly now can send heavier items for the standard price. However, the FFPI considers that national postal regulators and the European Commission need to monitor these developments closely in order to ensure that the changed price structure are not used by postal operators as smokescreens for de facto increases of stamp prices. The 20 grams weight limit is by far the most used standard in the sector: it represent two A4 paper sheets and an envelop, and amounts to more than 72% of the current reserved postal market (from 0 to 350 grams). If you add mail up to 50 grams, the percentage rises to only 77% that is 5% more. The impact on the market is therefore minimal. However, some postal operators have already used the changed price structure as an "excuse" to increase basic stamp prices; others are planning to follow the example.

Furthermore, the FFPI fears that the weight threshold increase may be used by postal operators as an argument to prevent future steps towards the full liberalisation of the EU postal market. The existing Postal Directive provides that the EU postal sector will not be liberalised for letters up to 50 grams, and that consideration of further opening of the market will take place in 2009. By eliminating the 20 grams threshold, postal operators are clearly seeking to expand the scope for what is perceived as a standard postal item. In the heavily politicised and often emotional debate on EU postal liberalisation, the FFPI is concerned that this change of perception may be used as a political argument to protect this expanded "basic tariff" area to limit and block further market liberalisation. *"It is of crucial importance that the EU Postal Directive is implemented fully and correctly by all Member States within the timeline provided for in the Directive itself. The European Commission has a fundamental role in ensuring that all provisions are respected and that no mock reforms are introduced that would risk delaying the EU liberalisation process"*, commented President Bodson ■

To read the FFPI stamp price differentials chart and the press release please visit our website: www.freefairpost.com.

THE FFPI COMMENTS ON THE GATS NEGOTIATIONS

The FFPI in December 2002 sent a letter to European Commissioner for Trade, Pascal Lamy, commenting on the services requests presented by third countries in the context of the GATS negotiations

In its letter, the FFPI highlighted the following points:

- The Commission consultation paper (<http://europa.eu.int/comm/trade/services/imas.pdf>) is very general and lacks detailed information on the requests. The FFPI encouraged the Commission to publish more comprehensive presentation of the requests in the future.
- GATS negotiations on postal services should focus on what is important for postal users: improving access to quality postal services around the world at an affordable price without jeopardizing the universal service obligations.
- GATS negotiations should seek to foster competition in the express services and on eliminating price fixing agreements in the postal sector: current distorting terminal dues systems should be replaced by a transparent cost based pricing approach that is WTO compatible.
- The new GATS Round should aim at improving downstream access to existing postal networks to improve the quality of service.
- The number of postal items sent outside the EU is limited. European postal users do therefore not see progress on the opening of third countries postal markets as a key priority.
- The specific needs of developing countries, especially of the less developed ones, are to be taken into account within the negotiations framework. A special and differential treatment should be given to these disadvantaged countries with a view to help them to build an efficient and cost effective postal sector.
- The FFPI is concerned that GATS negotiations could be used as an excuse to delay the further liberalisation provided for in the EU. Reciprocity is not part of the WTO framework and should not be used as an instrument to postpone EU liberalisation.
- Negotiations on trade facilitation should be launched at the Ministerial Conference in Cancun in September 2003 ■

THE POSTAL USERS' VIEWS ON LIBERALISATION

The FFPI highlights the benefits of opening the postal markets

In September 2002, the FFPI participated in two key gatherings of the European postal sector. At these relevant events the FFPI had the opportunity to outline the views of its members

FFPI President, Philippe Bodson, was invited to open the two-day Conference "Competitive Strategies in a Deregulated Postal Industry" that took place in London.

After providing an overview on the EU new legislative framework for the postal sector and the main challenges and opportunities for the market players, Mr Bodson took the opportunity to confirm the FFPI's support to the independent initiative of the UK Postal Regulator, PostComm, to fully liberalise the UK market in April 2007, that is ahead of the timeline set at EU level. The FFPI had already welcomed the idea proposal of PostComm, since it sets a positive model that should be followed by other EU Member States.

Moreover, the FFPI expressed its concern that the EU is not adequately equipped to seize the challenges of the postal sector. In this context, Bodson proposed the creation of an advisory body composed of all the stakeholders including the private and public postal operators, trade unions, EU institutions, users, as an effective instrument to debate common concerns, confront challenges, propose solutions and generally overview the functioning of the postal sector in Europe. *"The Postal Forum could be a good vehicle to convey the messages of all its members and, in particular, to express their positions during the elaboration of the Commission surveys. Only through the full involvement of all interested parties a realistic report on the state of*

the EU postal sector can be produced and proposals for the future made", added Bodson.

Furthermore, the FFPI was invited to take part in the 45th Congress of the European Envelope Manufacturers Association (FEPE), one of FFPI's members. In his speech "The postal sector after the new EU Directive: the view of the users", FFPI President, Philippe Bodson provided an overview on the past activities and the main achievements of the FFPI.

Mr Bodson's presentation also highlighted the dramatic changes taking place in the postal sector, such as technological improvements and the process of consolidation of postal operators. He also pointed out to the problems encountered by the users and the risks linked to a still too limited liberalisation of the sector. *"Unfortunately for the users of postal services, the new Postal Directive provides only for 23% of market opening. I am afraid that this limited liberalisation will not create enough incentives for the European postal operators to improve the quality of their services and focus on their mission to provide an efficient and reliable universal service"*, said Mr Bodson.

At the FEPE Congress, the FFPI reiterated its concern that, without a clear final date for liberalisation, markets will be characterised by an unlevelled-playing field and distortions will increase. The FFPI President insisted on the importance of a full and correct implementation of existing rules by all postal operators, in particular those on setting up independent regulators and transparency of accounts ■

openings needs to be underpinned by factual analysis. The Commission has a crucial role to play to ensure that the forthcoming studies on the impact of liberalisation are published on time and that they address all relevant issues. I believe that the Commission should not hesitate to go beyond the requirements for impact studies. Seeing that the Commission through this year's Report has concluded that liberalisation is the way forward, this position constitutes the appropriate starting-point for upcoming studies and proposals. A way to secure broad public acceptance for the up-coming studies is to involve all key stakeholders in the process, including the users of postal services.

■ THE FFPI CHARTER FOR BETTER POSTAL SERVICES

What the postal users want

The FFPI 10 Requests Charter

The FFPI calls for:

- I. Full liberalisation of the EU postal sector at the latest by 2009;
- II. Fair competition: a level playing field in the EU;
- III. Improved quality (reliability) of basic mail service and of the universal service provisions;
- IV. Increased choice in the reserved area (licensing) and in the non reserved area;
- V. Price geared to costs of postal services;
- VI. Facilitated entry on the EU market for newcomers, including access to existing postal network;
- VII. Truly independent national postal regulators to introduce competition within the Universal Service Obligations part of the market;
- VIII. National Ombudsman/watchdog to be set up to allow users to raise concerns on the provision of the USO;
- IX. A Postal Forum to be created to promote dialogue between all postal stakeholders;
- X. WTO negotiations to deliver tangible benefits to European postal users.



**Upcoming
events**

- **17, 18 & 19 March 2003: The Institute of Economic Affairs 6th Annual Conference on European Postal Services, Barcelona**
- **13-15 May 2003: World Mail and Express Europe, Rome**
- **7-9 October 2003: Post-Expo 2003, Brussels**