

Newsletter

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EDITORIAL

VIEWPOINT

A further step towards liberalisation in the UK

by Matthew Ward, Postcomm



Philippe Bodson

The postal users' wishes for 2004

New Year, time for resolutions. Wishing the readers of the FFPI Newsletter a prosperous 2004, I would like to share with you the FFPI's resolution for this year: aim for better quality of services, more transparent pricing and more competition in the postal sector.

Unfortunately the postal users' wishes are often obstructed by unsatisfactory market situations. For instance, the FFPI's annual stamp price survey (see page 3 of this issue) confirms a trend that concerns postal users. In 2003 prices continued to go up despite scope for freezing or lowering tariffs. 11 out of 15 Postal Operators in the EU have increased their rates last year and more requests for increases have been filed in some Member States.

However, we hope that our wishes will come true. We are encouraged by some recent positive developments. Promising news come from the UK where, as Mr Ward explains in his contribution to this issue of the FFPI Newsletter, a solution of the issue of granting new postal operators access to Royal Mail's network is in the making. This agreement would allow competition in the postal sector to go faster, to the benefit of users and consumers. In the Netherlands, the Government recently published a policy paper on the liberalization of its postal sector, which provides for a market opening in 2007. The Dutch move is made conditional to a similar choice from the UK and Germany. I regret that the Dutch Economics

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The development of third party access to Royal Mail's delivery network is a crucial element of Postcomm's efforts to open up postal services in the UK to competition. All operators holding licences allowing them to consolidate mail will require access. Equally, those holding long-term bulk mail licences are likely to require Royal Mail to deliver mail to some addresses on their behalf, at least in the short and medium term, whilst they develop their own delivery capability.

One of the holders of a consolidation licence requiring access to Royal Mail for final delivery is UK Mail - a wholly owned subsidiary of Business Post plc, a UK-based express delivery company. When it first received its licence, UK Mail began negotiating terms of access with Royal Mail. The negotiations failed, and UK Mail requested that Postcomm determine the terms and conditions of access to Royal Mail's downstream delivery network, as it was entitled to do under Condition 9 of Royal Mail's licence.

Postcomm carefully considered a wide range of issues, including the likely costs that Royal Mail would incur in delivering mail on behalf of UK Mail, the impact that the loss of upstream volumes to UK Mail and other competitors would have on Royal Mail's ability to provide a universal service at a geographically averaged price, the implications of the EC Postal Services Directive requiring prices to be non-discriminatory and geared to cost, and a raft of operational details such as revenue protection, indicia, quality of service and compensation. Throughout this process, Royal Mail made it clear that it was prepared to legally challenge a Postcomm determination of the terms of access.

After producing a draft consultation in October 2002, shared with Royal Mail and UK Mail only, and a public consultation in May 2003, Postcomm was proceeding towards a final notice to Royal Mail. However, on 17 December, UK Mail requested that Postcomm pause the determination as negotiations had recommenced with Royal Mail, which had resulted in the signing of Heads of Terms. Both parties were confident that agreement would subsequently be reached over the finer details of a contract in early 2004.

Postcomm welcomes this as a hugely significant step towards developing access to Royal Mail's network and, therefore, developing competition. It is expected that operators (and customers) posting under similar conditions to UK Mail will be offered similar terms by Royal Mail, allowing further entry into the UK postal services market, and that an access code could then be developed.

Postcomm has consistently viewed competition as beneficial for all postal users. It should increase choice and provide downward pressure on prices. Access to the delivery facilities of a Royal Mail willingly cooperating with consolidators should lead to significant benefits to postal users. Achieving access through a voluntary commercial agreement will avoid the delay and uncertainty that would have been the inevitable consequence of Royal Mail's threatened legal challenge.

Postcomm expects competition in postal services to begin to gather pace now that Royal Mail recognises the commercial advantages of agreeing access prices with operators for its final mile delivery. ■

MORE VOICE TO EUROPEAN POSTAL USERS

The FFPI joins forces with Postwatch and DVPT

The FFPI is glad to announce that it has recently entered partnerships with two key organisations with a view to strengthening the voice of postal users in Europe.

On 20 November 2003 the FFPI and Postwatch, the UK postal watchdog, announced that they would be working closely together with the common goal of encouraging the development of effective competition in the European postal services sector. Peter Carr, Chairman of Postwatch, in support of the announcement said, "We believe that consumers want a choice of service providers, reliable services and competitive pricing. They want companies that innovate and respond to their changing needs. Both the FFPI and Postwatch are convinced that competition can bring real benefits to customers. We are delighted to take the opportunity to co-operate with the FFPI in order to promote the interests of UK postal consumers across the EU."

FFPI President, Philippe Bodson added, "The FFPI is glad to have the opportunity to join forces with Postwatch in order to voice postal users' concerns and promote competition in the sector. In addition to setting up truly independent regulators, Member States should look at the UK as a model and create organisations, such as Postwatch, that are committed to promoting customers' best interests".

The FFPI has also recently teamed up with Deutscher Verband für Post und Telekommunikation (DVPT), the

German association for post and telecommunication, with which the FFPI shares a number of key interests and concerns in the postal sector. DVPT is a politically independent and market-oriented representative of postal users and consumers that was founded in 1968 and that seeks to achieve an improvement of postal and telecommunication services in Germany (for more info please visit <http://www.dvpt.de>).

"The choice to support the FFPI in its efforts was dictated by the fact that we are now giving our full attention to European competition policy and to liberalisation in the EU. Together with around 1,000 companies who are members of our association, I now increasingly hope for the creative power of the EU Parliament and Member States to support efficient and forward-looking postal services", commented Elmar Müller, Chairman of DVPT during a visit in Brussels. "German consumers are faced with the negative consequences of limited competition. They are often unsatisfied with the quality of the services they get for a high price. We will closely work with the FFPI in order to give more voice to the postal users in Europe contributing to the debate on further market openings in the EU". President Bodson also expressed his appreciation to the DVPT for the work carried out in the past 25 years to raise the concerns of the postal users as regards breaches of competition and non or misapplication of the provisions of the EU Postal Directives ■

THE EUROPEAN PARLIAMENT'S POSITION ON SGEI

MEPs back moderate view on SGEI Green Paper

On 14 January the European Parliament adopted with vast majority in plenary session a Resolution on the Commission's Green Paper on Services of General Economic Interest (SGEI).

The MEPs took a moderate stance by advocating a "legal framework" rather than a framework Directive on SGEI. They also recognized the merits of sector-specific legislation and acknowledged the benefits of liberalisation. In addition to the scrap of the call for a Framework Directive, the FFPI also welcomed the Parliament's decision not to modify the constitutional provisions on public services. In the FFPI's view, article 16 of the EU Treaty already provides for a solid basis to protect SGEI.

What concerns the FFPI in the Parliament's position is the request for exemptions for public services from competition rules. This could ultimately endanger the EU path for liberalisation by creating further obstacles to the creation of a level-playing field in the market.

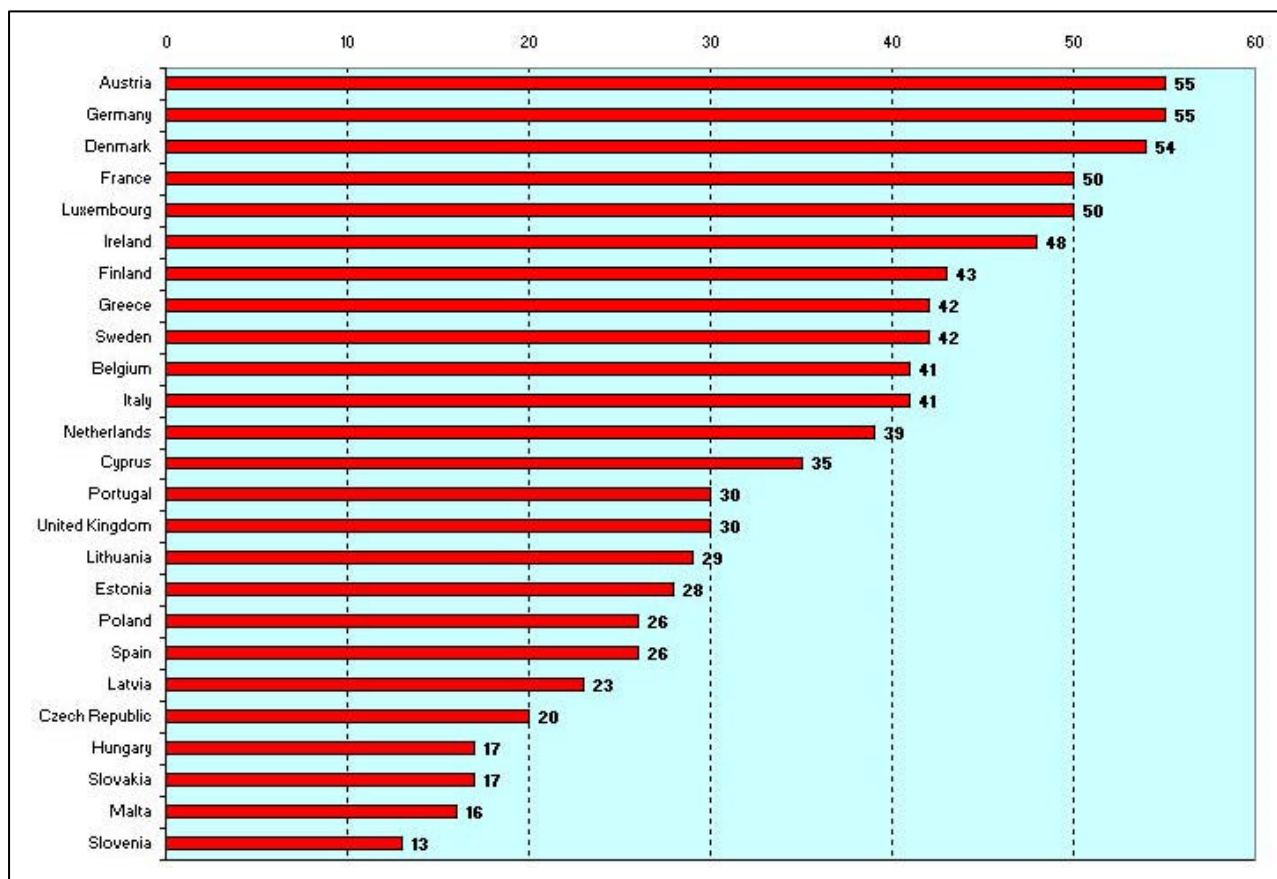
Furthermore, the Parliament's Resolution follows the Commission's position of neutrality on whether SGEIs are provided by public or private entities, and stresses that the focus should rather be on the quality of services.

The MEPs' Resolution asks the Commission to express its views by April 2004 and the EC in Strasbourg pointed out that it might follow up by issuing soon a White Paper.

The FFPI, also within the framework of the Coalition for Fair Competition in the Services Market, which gathers several European organisations representing providers and users of various services, will be following the next steps of the debate on SGEI and will be promoting the benefits of liberalisation for the achievement of a real Internal Market for services ■

■ STAMP PRICES GO UP IN THE ENLARGED EUROPE

Worrying results for the 2003 FFPI survey



The FFPI released in December 2003 its third EU stamp price survey. The study, which for the first time also covers the ten new EU Member States, confirms the trend towards price increases and highlights the remarkable gaps that exist among current Member States and between them and the accession countries. The FFPI very much welcomed the comments and contributions received by various parties on the survey and revised some data that was imprecisely reported accordingly. The FFPI's 2003 research mainly shows that:

- The wide price differences registered in 2002 have not been reduced and tariffs have in most States registered further rises.
- In 11 out of 15 current EU Member States stamp prices have been increased in the past year.
- Requests for price reviews have been filed by postal operators in some countries where decisions are still pending and will likely be taken in 2004.
- There is a confirmed tendency in some Member States to modify the price structure of their stamps by enlarging the threshold for basic postal tariffs from 20 to 50, 60 or even 100 grams.

"I am concerned by the results of this year's analysis of postal tariffs. I fear that, in a number of cases, prices are neither geared to costs nor affordable in the meaning of the EU Postal Directive. The lack of clear methods to calculate costs incurred by the Postal Operators and for setting prices significantly contributes to this concerning situation for the postal users. In addition, it seems that some major European players have monopoly profits that exceed what needed for the provision of the universal service. I see a clear need for more transparency: an effective and uniform oversight of tariffs at EU level is required", commented FFPI President, Philippe Bodson.

As regards the new States, the FFPI survey reveals that the average stamp price in the accession countries is around half the average stamp price in current Member States. However, if taking into consideration criteria such as quality of service and the average income of the new Member States' citizens, the affordability of basic postal services in these countries appears not to be very high. As reported in a recent European Commission's study on postal networks in accession countries, prices have increased substantially in the new Member States in the past five years. A striking example is the one of Poland having raised its prices by 205% between 1998 and 2003, considering that the Polish market represents almost 50% of the whole accession countries postal sector ■

Please refer to our website for the full results of the FFPI stamp price survey 2003

<http://www.freefairpost.com/pdf/stamps03.pdf>

Ministry has not opted for a more courageous move but I believe that it sends out a positive signal. It clearly shows that some countries are more ambitious than the EU Directive and ready to move forward faster on postal liberalization. More importantly for users, there is now a real chance that full competition will be a reality in 4 important EU countries in the not too distant future: Sweden (already fully liberalized), the Netherlands, the UK and Germany.

In addition, an interesting report from the German Monopoly Commission questions the prolongation of the postal monopoly in Germany and identifies the reasons for limited competition. In particular, it refers to the prolongation of the exclusive licence for Deutsche Post as contrary to competition. However, we must remain cautious. We see from recent developments that monopolies are more than ever considered as an efficient tool to shield the incumbent from the competition of other national postal operators. The monopoly should be merely seen as a means to help fund the burden (assuming there is a burden) of the universal service obligation (USO) imposed on the national incumbent to the necessary extent. This is our interpretation of the EU Postal Directives and competition rules. The Dutch case, which is not unique, demonstrates that it remains very unclear to what point postal monopolies are truly used for the purpose they are allowed for: "to the extent necessary to ensure the maintenance of universal service". This is why the FFPI will continue to call for more effective interventions by the regulatory bodies to scrutinize monopoly profits and calculate the cost of the USO. It is interesting and encouraging that both the UK postal regulator and the German Monopoly Commission have recently issued studies that analyse the limited scope of competition in the postal sector and the existing economic and legal barriers to open markets. The FFPI will be participating to this debate in the context of the EC Studies on the Postal sector to which it has been invited to contribute. We will clearly advocate that liberalization and more competition is the only way forward to improve the functioning of the European postal markets ■

Philippe Bodson

■ LESS BARRIERS TO EUROPEAN SERVICES

The European Commission proposal to boost the Lisbon process

On 13 January the European Commission has adopted a proposal for a Directive to create a real Internal Market in services. The proposal would require Member States to cut administrative burdens and excessive red tape that can currently prevent businesses from offering their services across borders or from opening premises in other Member States. The Directive provides for the elimination of obsolete national measures and aims at increasing choice, improving quality and bringing down prices for consumers and business users. In a nutshell, the Services Directive:

- Establishes a general legal framework, which would benefit a wide variety of services;
- Does not cover directly sectors already regulated by EU sector-specific legislation (e.g. telecom, postal, etc.)
- Member States would commit themselves to removing a large number of unnecessary barriers, which prevent or discourage operators from other Member States from setting up on their territory;
- Complex, lengthy and costly authorisation and licensing procedures would disappear;
- Should improve administrative cooperation between member States.

The proposal has received an initial welcome by a number of stakeholders representing industry and professions as well as users and consumers of services. The FFPI, which appreciates the Commission efforts aimed at opening up the service markets, will be looking in more detail at the new proposal to evaluate the potential implications for the postal sector ■

- **4 February 2004:** The FFPI participates in the Stakeholders' Workshop on the European Commission Studies on Postal Services, Brussels
- **8-10 March 2004:** IEA Conference, European Postal Services, Amsterdam
- **26-27 May 2004:** World Mail and Express Europe Conference and Exhibition, Berlin
- **15 September-5 October 2004:** Universal Postal Union (UPU) Congress, Bucharest



**Upcoming
events**