

Time for EU leaders to deliver on their Lisbon postal pledge



Goals set at the Lisbon summit for postal liberalisation

are still a long way off from being achieved. **Philippe Bodson**, president of the Free and Fair Post Initiative, argues that consumers are getting stuck with the bill

EU LEADERS are being criticised for promising to achieve important internal market reforms and then failing to deliver the goods on time. Unfortunately, postal liberalisation is no exception to this trend.

Once again the EU decision-making bodies run the risk of being left far behind as market developments and consumer behaviour outpace their ability to deliver adequate market rules. An inadequately regulated market for postal services is detrimental to everybody.

When EU leaders met in Lisbon last year they agreed to push ahead with internal market reforms that would trigger growth, turning the European economy into a world champion. They rightly decided that liberalisation of the European postal sector is a key factor in reaching that objective.

What is needed now is enough political commitment and courage to adopt a directive that will allow the ugly duckling of Community liberalisation to turn into the beautiful swan it has the potential to become.

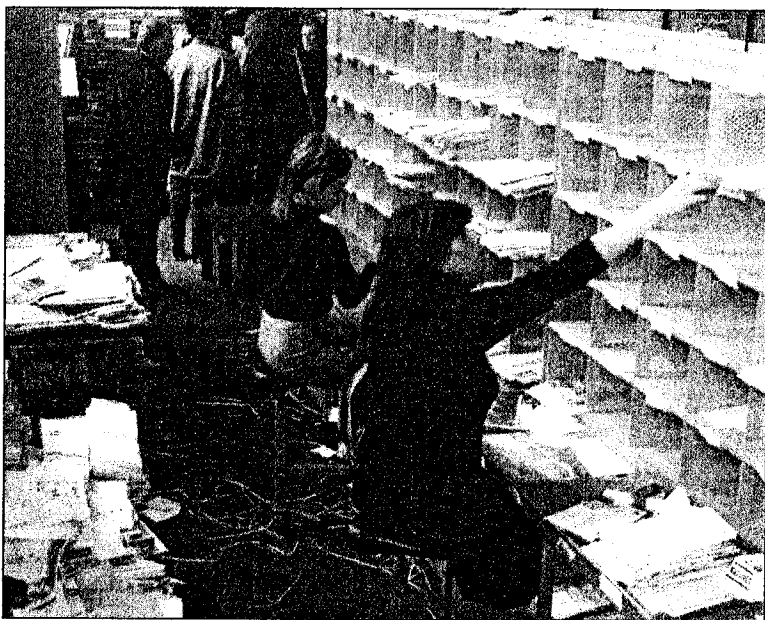
The drawbacks resulting from the failure to liberalise are considerable and would entail increased market power for existing operators, higher prices and less choice. Postal users therefore have a legitimate interest in trying to ensure that EU leaders honour their commitment.

The urgency to liberalise is not just about the need of politicians to deliver on their promises. The dramatic industry-modernisation process that is currently under way is a driving force for liberalisation. Three converging factors play a key role; changing consumer preference, technological improvements and increased market concentration.

Two leading operators, TPG in Holland and Deutsche Post World Net, realised at an early stage the potential of using a combination of letter-monopoly profits and market capitalisation as a springboard to become world-leading conglomerates in logistics services. Postal service providers in other EU member states are now following in their footsteps, behaving increasingly as commercial operators, for instance, by raising new capital and spending fortunes on mergers and acquisitions.

Although this modernisation process is necessary and should be welcomed, the existing postal regulatory framework is inadequate as it does not prevent market distortions. These distortions risk turning the modernisation process into an exercise in market power absorption for national postal operators.

The main cause for this development lies in the monopolies for most postal services that EU member states are allowed to grant to national postal operators under current and, to a lesser degree, proposed new EU rules. The incumbents' letter monopoly provides them with secured revenue and sufficient resources to enter markets where they compete with private companies. The financial strength they have established is being used to expand rapidly into



Snail mail: the Union risks falling behind as postal services are become more competitive

neighbouring markets, often through acquisitions of companies in the logistics, transport, express and parcel sectors.

The unfortunate combination of the incumbents' race to market domination and sustained legal monopolies have caused a surge in complaints for breaches of competition rules being filed with the European Commission and in the courts. It does not help either that the current postal directive and related rules are vague and force companies to navigate through uncharted legal waters.

In the absence of clear market measures, disputes will have to be fought in the courts, a choice most postal users cannot afford. The importance of good policing by the Commission is thus set to increase in the future. The institution's current caseload must be brought down to restore confidence in its ability to police the market efficiently.

It is thus important to recognise that transformation of the postal sector is taking place, and will continue to do so. To that end,

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it does not matter if the Commission regulates the market or not. The rules in place will however be decisive in determining whether the change will be the success that the EU leaders planned in Lisbon.

Without appropriate rules, the laws of the jungle will prevail. The map over postal Europe will then be drawn up by the incumbents of the larger member states which will continue to gobble up whomever may stand in their way. Public postal monopolies would be replaced by more powerful private monopolies.

So, if the need to liberalise soon is so obvious, why can the member states not agree on further market openings? The proposal for a modified directive is currently blocked in the Council of Ministers with no compromise text in sight.

One reason for liberalising the postal sector at a snail's pace has been to allow postal operators to adapt to the new environment in a "gradual and controlled"

way. In reality, however, both regulators and postal operators will soon be overtaken by market developments.

In a scenario where the liberalisation is too slow, the transition of the postal sector will continue to accelerate due to market changes. Therefore, it will not be, as intended, gradual and controlled, as the rules that regulate the market will be out of tune with reality. The EU needs to adopt a final date for full liberalisation in order to avoid a brutal transition.

Another argument against liberalisation is the Universal Service Obligation (USO).

Critics claim that this requires postal operators to maintain a reserved area, a monopoly, for the vast majority of letter services in order for them to be able to finance the USO. This argument is however not correct.

Other possible solutions exist that do not block the benefits of liberalisation as the reserved area currently does. There is consequently no contradiction between a universal service and liberalisation.

It should be remembered that the member states under current Community rules have the freedom to organise and finance the universal service obligation as they wish. They are free to liberalise at national level, provided that the USO is maintained - an option that few of them have chosen. Germany recently announced plans to postpone national liberalisation, blaming slow progress in other member states and at EU level for its decision.

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The ball is now in the court of the Council. It needs to agree on a common position that contains a final date for full liberalisation.

EU leaders in Stockholm in March called for the pending draft postal directive to be adopted by the end of the year. One would then have expected the Swedish presidency to kick-start negotiations after the Stockholm meeting in order to quickly lay the ground for a compromise in the Council. So far, however, postal liberalisation has not been a priority issue for the Swedes, meaning that the self-imposed deadline is in jeopardy.