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**POSTAL SERVICES:
PRO-LIBERALISATION LOBBY WELCOMES COMMISSION VAT REFORM
PROPOSALS**

The pro-liberalisation Free and Fair Post Initiative (FFPI) has welcomed the European Commission's draft Directive to reform the VAT rules for the postal sector (see separate article in Section II). FFPI President Philippe Bodson praised the Commission initiative on May 6 predicting that "users and consumers will ultimately enjoy more choice, higher quality and better services". His lobby group represents postal users and operators who want to see a more competitive postal market in Europe. FFPI says the VAT exemption granted to public postal operators is no longer justified and has led to distortions because similar services offered by private operators are subject to VAT. In addition, some Member States such as Sweden and Finland already charge VAT on basic postal services so there is not a level playing field. Mr Bodson also backed the proposal's counterbalance mechanism, which is designed to ensure that abolishing the exemption does not hike up prices. "It is fundamental that citizens are not penalised and that stamp prices remain fair and affordable", he said. The FFPI believes once public postal providers are allowed to deduct for tax purposes VAT on expenses like fuel and equipment, the benefit should trickle down to their customers.
(BB)

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