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**STATE AID TO ROYAL MAIL INVESTIGATED BY THE EUROPEAN COMMISSION.
FFPI CALLS FOR A FAIR AND RAPID RESOLUTION OF THIS AND OTHER PENDING CASES**

The FFPI welcomes the Commission's decision to open a state aid investigation into the possibly unlawful UK plans to restructure the postal incumbent Royal Mail, by relieving it of its 'pension deficit' and strengthening its balance sheet. With the postal market having been fully liberalised on 1 January this year, decisions on this case and the other State aid pending cases – such as the ones against Deutsche Post and BPost – need to be taken in order to establish clear interpretation of the letter of the law with regard to state aid to postal incumbents. Today's publication of the Commission's letter to the UK and Royal Mail in the Official Journal allows for third parties to provide feedback on the case in the next thirty days.

Since the full liberalisation of the postal market in January 2011, the Commission has the important role to ensure a genuine competitive environment in all EU Member States. *"In this final moment of transition, it is important that new market players are not penalised by unfair competition from the incumbents. At the same time, it is key that the incumbents are not hindered by their past as state monopolists and that the EU citizens can enjoy the best quality of universal service as well as competitive commercial services"*, says Philippe Bodson, President of the FFPI.

The state aid measures in question regard the intention of the UK government to grant Royal Mail both a pension relief (£8bn - around €9bn) – freeing Royal Mail of its obligation to fund the deficit of the pension fund allegedly resulting from Royal Mail's status as public sector monopoly before 2006 – and balance sheet repair measures (£1.7bn debt - around €1.9bn) – which are supposed to fund the restructuring of Royal Mail and make it attractive to private investors. The letter to the UK and Royal Mail as published in the Official Journal of the EU expresses European Commission's doubts on the presence in the Royal Mail's restructuring plan of adequate measures to mitigate any distortions of competition due to the state intervention and to ensure a sufficient own contribution to the cost of restructuring. Furthermore, the Commission believes that at present, the proportionality and efficacy of the measures chosen by the UK government is still not clear.

The Commission fears that these measures will allow RMG to reinforce its strong position on the UK postal market distorting or threatening to distort competition on that market and in other European Member States. Given the importance of Royal Mail as a universal service provider and the apparent benefits that these measures would bring also to its commercial operations, FFPI supports the decision of the Commission to investigate the matter further in order to clearly understand the effects of the presented measures on the UK and EU postal markets. In this context, it is very important for third parties to contribute with their comments and for the Commission to continue to play a pro-active role in the liberalisation of European postal markets.

FFPI would like to stress once more that a swift decision on this case and the other pending cases is key in order to ensure legal certainty in a liberalised market and to help market players to understand to which extend resources granted by the State are/are not compatible with EU competition rules.

The Free and Fair Post Initiative (FFPI) is a unique European initiative that brings together users and competitors of the public postal operators who strongly believe in the benefit of a liberalised and more competitive postal market. The FFPI key objectives are to secure full liberalisation of postal services and a fair playing field in the postal sector to prevent public postal monopolies to turn into private ones.

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