

Newsletter

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EDITORIAL

VIEWPOINT

A postal revolution to hit the news?

By the European Newspaper Publishers Association (ENPA)



Philippe Bodson

ENPA stands for the European Newspaper Publishers' Association. It is a non profit organisation which currently represents 5100 titles through national associations in 24 European countries (plus one observer). ENPA's key role is communicating the interests of newspaper publishers to the European Institutions. More than 120 million copies of newspapers are sold each day and read by over 235 million people in Europe.

Economic patriotism in the postal sector?

It seems that Europe today is swept by the winds of economic patriotism, tempting some Member States to close their markets to foreign competition in a vain attempt to sustain ailing national monopolies. And this is done by justifying these conducts with an unclear protection of the public interest while compromising both the interests of consumers and the goals of the Lisbon agenda of creating sustainable long-term employment.

The postal sector is not oblivious to this trend and has for long been dominated by protectionist attitudes, favouring the promotion of national champions, which often use the privileges of the universal service to expand and strengthen their positions as companies in other markets and service areas.

In times such as this, political determination must not falter. Several member States like Sweden, Finland, Estonia and the UK, have already been successful in liberalising the postal market and I was very glad to hear that in the past days the German government has announced that the letter monopoly of Deutsche Post will end on 1 January 2008, irrespective of developments in other EU member States. Others like the Netherlands, in spite of some hold ups, are still betting for early postal liberalisation.

On 13 April the Dutch government presented a new bill setting the date for postal liberalisation to January 2008, this proposal delays in 9 months the original date planned for 2007. The cabinet justifies this change on the bases of the uneven playing field created by VAT inequalities in Germany and the UK.

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Importance of postal services in newspaper delivery

Postal services actually play a very important role for newspapers as subscription sales need to be delivered to clients, within this context mail delivery is a leading option amongst the existing vehicles for newspaper delivery.

The business model for newspaper delivery in the EU is rather heterogeneous and varies from country to country, adapting to the local environment of the newspaper industry: In Austria, for example, postal delivery leads the distribution of weekly newspapers and magazines and accounts for a 90 % market share in the area of monthly/weekly newspapers, whereas other countries which have a strong tradition for street sales depend to a very low extent on postal services for newspaper delivery (sometimes only 1% overall in a country).

Why are newspaper publishers concerned with the new Postal Directive?

ENPA fully believes that the time is now to call for urgent further liberalisation of the postal market in Europe. We believe that a modernized universal service could be very well provided following the end of the reserved area and that newspaper delivery should definitely be included within its scope since it is essential for a timely, reliable, high quality and secure delivery of newspapers to all readers, wherever they may be situated inside a Member State.

Where newspaper publishers have developed as competitors to the traditional incumbent national postal operators, this role adds to the need for clearer regulatory frameworks that impose price transparency and network unbundling.

Key issues for publishers in the future postal framework:

- One principle which could be added to the obligations for operators is **delivery in a timely manner** appropriate to the item being delivered. Newspapers are one of the most time-sensitive products out of all products to be posted. Delivery operators must ensure that the information in the newspaper is still "news" when delivered as this determines the reader's willingness whether or not to continue with their subscription service.
- **Standardisation for quality of service** should be a way forward because of the increased number of operators expected in the market place after full liberalisation. However, standardisation should also not hamper the innovation of services which could contribute to new ways of thinking in future. Standardised access to all consumer postal delivery boxes or suchlike may be necessary. Some new operators have previously had trouble as the incumbent has restricted access to keys of boxes in communal/apartment buildings, etc.
- **Transparent cost-accounting** measures for all the stages of the service are essential. Whilst the EU should prescribe this, the Member States should ensure this is implemented. Newspaper publishers have very tight budgets to adhere to and the publisher needs to know what price each part of the delivery service costs. Cost transparency should also prevent an unfair competitive advantage of the universal service provider or a dominant player over other operators.
- Member States should all ensure that **postal users are regularly consulted at reasonable intervals** on the issues of importance to them, for example, providing services at a cost-based and affordable price and monitoring the postal providers' progress.

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THE NETHERLANDS DELAYS LIBERALISATION

Dutch Government proposes to open postal market on 1.1.2008

On 13 April 2006, the Dutch government issued the proposal for the new postal law which sets 1 January 2008 as the deadline for liberalisation. This final version of the proposal delays of 9 months the original date for opening of the Dutch market to competition, 1 April 2007.

The Government plans for postal liberalisation were made conditional to similar commitments in UK and Germany. The UK market was liberalised on 1 January 2006 while Germany supports to liberalisation in 2008. Last year the Dutch Ministry of Economic Affairs commissioned a study, which has been recently made public, analyzing the possibility of fully opening the Dutch postal sector in 2007.

The study, carried out by Ecorys, considered that the divergences in VAT regulation for postal services in the three countries where the main obstacle to competition. However, its main conclusion was that liberalisation of the Dutch postal market in 2007 would generate economic benefits for the sector, regardless of TNT's position in foreign markets.

It is important to notice that on 10 April the EU Commission initiated infringement proceedings against Germany and the UK, challenging the VAT exemption for postal services provided by the universal service operators. However, the Dutch Government has finally opted for a more cautious approach to postal liberalisation and decided to go for full market opening in 2008, waiting for the VAT situation to be solved. Indeed the divergences in VAT for postal services need to be addressed. However, the negative effects of this barrier, as outlined by the Boston Consulting Group (BCG), a study commissioned by TNT, have been perhaps overestimated. This is confirmed by another study from NERA.

The FFPI argues that the decision to liberalise a national market should be exclusively based on the ability of the member State's authorities to ensure provision of a universal service in its territory and not on the interest of one specific operator in a foreign market.

STUDY ON BARRIERS TO COMPETITION IN THE GERMAN AND UK POSTAL MARKET

The study, carried out by ECORYS, aims to determine the feasibility of postal liberalisation in 2007 through a comparative analysis of existing barriers to competition in Germany and the UK with equivalent obstacles in the Netherlands. The analysis highlights that after liberalisation of the Dutch postal market, several issues will have to be tackled in order to achieve a level playing field, notably:

- Divergences between the legal frameworks regulating the VAT exemption for postal services in the three countries.
- The mandate given to the postal regulators to ensure competition will have to be reinforced in Germany and the Netherlands.

The study concludes that irrespective of liberalisation in other countries, the opening of the Dutch postal market will have a positive impact on the development of competition and will generate positive welfare effects.

Boston Consulting's vs NERA's study

The postal debate in the Netherlands has triggered a number of studies that seek to provide arguments against or for further liberalisation. The study commissioned by TNT and issued by the Boston Consulting Group (BCG) introduces a so called "Level Playing Field" index. This index seeks to determine if there is a level playing field for TNT with regards to regulatory, financial and legal elements in the UK and Germany.

At the recent World Mail & Express conference in Paris, where the FFPI contributed with a customers' perspective on liberalisation, the results of the BCG study were challenged by representatives from Royal Mail and Deutsche Post questioning the methodology used as it indicated that the barriers to entry in the fully liberalised UK market are more significant than in the Netherlands despite the monopoly that is still present. Nera also issued its views, challenging the BCG findings.

To read the studies please visit:

http://www.freefairpost.com/others/news_stakeholders.htm

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- People's freedom of access to information in parallel to the freedom of the press, should ideally be equal in cost and quality wherever they live in the country.
- NRAs should be strict in requiring postal operators to meet their targets and enforce sanctions if necessary. However, no licensing or authorisation practice or any other restriction of the right to freely distribute the newspaper can be accepted as it would constitute an infringement on the freedom of expression.
- Complaint and redress procedures should definitely be strengthened and records kept in a uniform manner for each postal operator on the market. Regular public reports should inform the public in a transparent manner on the performance of the postal operators e.g. how many and what form of complaints during the last year should be recorded and made public.
- Publishers believe that there are many opportunities to be gained from the principle of downstream access being incorporated into the Directive. Publishers would like to work with postal operators on specific projects e.g. last mile delivery but remuneration terms can be difficult in some situations. Downstream access should be negotiated on fair terms between operators and probably refereed by the NRA as an independent mediator to ensure fair play.

Overall it is worth remembering that every customer is important for publishers in an increasingly competitive media landscape and publishers therefore need a reliable postal service, which can only be achieved through the complete reform of the current system.

KEY STAKEHOLDERS CALL FOR LIBERALISATION

25 organisations appeal the EU institutions to maintain 2009 as the final date for postal liberalisation

On 7 March 2006, 26 organisations representing universal service providers, postal operators, users and consumers of postal services sent a document to Commissioner for Internal Market and Services, Charlie McCreevy, calling for the European Commission to maintain 2009 as the final date for liberalisation of the postal sector in the EU in the proposal that will be presented by end of the year. This statement was also sent to the Members of the European Parliament on 13 March 2006.

THE SIGNATORIES OF THIS STATEMENT CALL ON THE EUROPEAN INSTITUTIONS TO MAINTAIN 2009 AS A FINAL DATE FOR LIBERALISATION OF THE POSTAL SECTOR IN THE EU

A final date would mean:

- more choice for users and consumers
- better quality of service
- increased competitiveness for the European economy
- increased investment leading to new jobs
- legal certainty for employees, users, postal operators, investors, etc.

We believe that the EU citizens' right to postal services – the Universal Service – is an essential part of the European social fabric. We are convinced that a modernised universal service is compatible with an environment that has been fully opened to competition in a gradual and controlled way.

The signatories of this appeal represent people, organisations and companies from all corners of the EU and from all walks of EU life, postal operators, competitors, users, consumer organisations, etc.

SIGNATORIES:

Associazione Utenti Postali Italiani (AUPI), Bundesverband der Kurier Express Post Dienste (BdKEP), Bundesverband Internationaler Express und Kurierdienste e.V. (BIEK), Deutscher Verband für Post und Telekommunikation e.V. (DVPT), European Distance Selling Trade Association (EMOTA), European Newspaper Publishers' Association (ENPA), European Publishers Council (EPC), Federation of European Direct Marketing (FEDMA), Free and Fair Post Initiative (FFPI), Finland Post Corporation (POSTI), Finnish Federation for Communications and Teleinformatics (FICOM), Irish Direct Marketing Association (IDMA), IMX International Postal Distribution, International Confederation for Printing and Allied Industries (INTERGRAF), Link2Biz International SA, Mehr Farbe im Postmarkt, Postwatch, Posten AB, PostKundenForum, Swiss Association of Industry, TICO Group Ltd, Employers' Association TIKLI Finland, TNT, US Consumer Postal Council (CPC), Confederation of Netherlands Industry and Employers (VNO-NCW), Ziegler Group S.A.

The FFPI wishes to facilitate the debate among stakeholders on liberalisation and invites other interested parties to **support this appeal**. For more information on the joint call for liberalisation please contact the FFPI at info@freefairpost.com.

I think that the Dutch government has been perhaps too cautious. But nevertheless I am confident that the Netherlands so as Germany, whose government just confirmed its plans for market opening, will have liberalised markets in 2008 and that the VAT discriminatory situation will be solved now that the European Commission has decided to open infringement cases against unfair VAT exemptions granted to universal postal services in Germany and the UK.

It is essential for the postal sector to focus on the costs that delaying market opening will have for the economy and the users. Reluctance to move forward will only result in a loss of opportunities for the postal industry as a whole, a sector which alone represents over 5 million jobs and more than 100 billion euros in revenues to the European economy.

Liberalisation in 2009 is a realistic goal. No one has anything to gain in the long term from keeping the postal sector locked up in a monopolistic silo. I am confident that stakeholders will adopt a positive approach towards liberalisation with neither reluctance nor restraints and I am also fully convinced that the Commission, thanks to the research and the consultation process under way, will come to the final conclusion that there are no reasons for further delays. The time is right ■

Philippe Bodson

■ EU COMMISSION STUDIES

Results of the Interim Reports

On 21 February 2006 at a workshop in Brussels, the European Commission presented the interim results of the sector studies commissioned for 2006. The meeting was attended by the members of the Stakeholders' Group for postal services, including the FFPI.

In a nutshell, the interim results of the study of PWC on the *Impact on Universal Service of the full accomplishment of the postal internal market in 2009* indicate that:

- Full Market Opening (FMO) will overall be beneficial for the sector fostering product innovation, greater efficiency, and maximising net benefits.
- The effects of FMO will be vary depending on the Member State involved requiring in some cases the application of flanking measures to smooth the introduction of FMO.
- As the market moves into FMO the Universal Service Obligation should be revised from a market perspective taking into account consumer needs.
- Access regulation will be a key incentive for new entrants.

The study of WIK on the *"Main developments in the European Postal Sector (2004-2006)"* highlights the following trends in the evolution of the postal sector:

- Overall, Member States are progressing in reforming their national postal framework (consolidating the role of the NRAs and Privatising the USP).
- Competition in mail markets remains limited whereas market entry in consolidation services appears more significant.
- Merger and acquisition activities are slowing down.
- USP employment is slightly decreasing but new competitors will compensate this trend.
- Universal service provision is improving on delivery time performance.
- More transparency is needed in price control.

The final results of both studies are expected to be published between June and July 2006. The FFPI is an active participant in these studies and will continue to contribute with its views to this important phase of the EU policy-making in the postal sector.

Public Consultation on Postal Services

The European Commission has finalised the gathering of stakeholders' submissions to its Public Consultation on Postal Services and will soon publish the results of the process which was carried out from 10 November 2005 to 27 January 2006. Please visit http://ec.europa.eu/internal_market/post/consultations_en.htm.

- **31 May – 3 June 2006:** CRR1 14th Conference on Postal Delivery Economics, Bern, Switzerland
- **June 2006:** Publication of the Prospective study (PWC)
- **July 2006:** Publication of the Main Developments study (WIK)



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