

Newsletter

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Free & Fair Post

EDITORIAL



Philippe Bodson

Getting into yes

At the next Transport, Telecommunication and Energy Council of 1 October, EU Ministers will be called on to take a decision as regards the proposed Third Postal Directive. In view of this important occasion, the FFPI wrote a letter to European Ministers to urge them not to let another opportunity go by and finally reach an agreement on postal services liberalisation.

We told the Member State representatives that users want an unconditional final date for full market opening and that a further postponement of a decision on liberalisation would be a failure not only for users and consumers but for all players in such an important part of the European economy.

Although postal users and market players are convinced that the timeframe proposed by the European Commission is the most adequate and are, therefore, disappointed by the delay of the final date for full market opening introduced by the European Parliament, the FFPI believes that the current compromise text on the end date for postal monopolies needs to be adopted by EU Ministers next week.

The proposal foresees that member States have to implement full market opening by 31 December 2010, and that countries which respond to certain criteria (new member States and countries with a special topography) have two extra years to do so. This compromise would allow all countries which have complained

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VIEWPOINT

Access to the market

By Frédéric Pons, CEO of Adrexo

The FFPI was delighted to welcome Adrexo as a new member of the initiative in 2007.

ADREXO is a subsidiary of SPIR Communication (Ouest-France Group), and is the number one private operator for the distribution of non-addressed printed mail as well as the first private postal operator for mass addressed mail in France. Distrihome, an Adrexo subsidiary, is responsible for dispatching and delivering parcels in France.

In June 2006 Adrexo became the first company to hold a postal licence issued by the regulatory authority in the postal sector in France. Its messengers ensure "last kilometre" distribution to the recipient's letter box.

Based on our experience, we are convinced that opening up the postal market to competition will stimulate the "postal medium" and promote technical and commercial innovations that will benefit customers. Indeed in France since the first areas were opened up to competition, new postal products have appeared and customers' rights have been considerably strengthened.

Similarly, the emergence of new players in the postal market has already been accompanied by the creation of jobs and businesses. Each day a company such as Adrexo takes on postal messengers and plans to recruit over 4,000 messengers and 500 managers between now and the end of 2008, should the date of the liberalisation be 2009.

That is why the discussions in the coming days will be crucial for the postal market. This issue is well illustrated by the example of direct mail. Direct mail is a communication consisting solely of advertising, marketing or publicity material and comprising an identical message, except for the addressee's name, address and identifying number as well as other modifications which do not alter the nature of the message.

As direct mail is an advertising correspondence, it is used by companies who are already using liberalised items of correspondence and who are used to having more than one provider of postal services.

Postponing the date of liberalisation would considerably alter direct mail's potential growth as it would leave the field wide open for other media in competition with the postal market.

As it was stressed in the 2nd Directive "Direct mail already represents in most Member States a dynamic and growing market with substantial growth prospects while in the remaining Member States there is considerable potential for growth" and "the improvements in service flexibility and pricing resultant from competition would improve the position of direct mail versus alternative communications media, which, in turn, would be likely to lead to new postal items as an additional spin-off and strengthen the position of the postal industry as a whole".

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Postal liberalisation in Germany and in the Netherlands

Whereas the European institutions are still discussing the Commission proposal to fully open the European postal market, Germany recently confirmed its decision to go ahead with full liberalisation in January next year, therefore anticipating the EU framework. This decision should have a positive impact in the Netherlands, where the Senate is currently debating a new postal law foreseeing the elimination of the last part of the postal monopoly in the Dutch market.

At the end of August the German Government agreed to fully liberalise its national postal market on 1 January 2008. The German Social Democratic Party (SPD), which had initially resisted full market opening, finally decided to not oppose the plans of the other member of the German ruling coalition, the Christian Democratic Union (CDU).

The agreement was reached under the condition that a guaranteed minimum wage was at the same time established for postal workers. This idea was long discussed in the German Government as Chancellor Angela Merkel and her party were reluctant to its establishment.

On 19 September an agreement was finally reached that foresees the introduction of a minimum wage for postmen only. However there are still some disagreements and the topic will be discussed on Monday 1 October by the chiefs of the coalition's parties. The adoption of legislation implementing a minimum wage for the postal sector is expected to take place on 30 November 2007.

Starting on 1 January 2008, Deutsche Post will thus not be the only operator in the 50 g mailing market. A decision very much welcomed by German users and market operators, who have for many years advocated a competitive market which would offer opportunities to operators and more choice, quality and better prices for users.

The German decision to liberalise its postal market will hopefully provide a positive spin and spur other countries such as the Netherlands, where the Government's plans for postal liberalisation were conditional to similar commitments in the UK and Germany. As the UK already fully opened its market in January 2006 and as Germany has now followed the example, there are no more excuses to delay Dutch full postal liberalisation.

The Dutch new postal bill that foresees full liberalisation in January 2008 was already adopted by the Dutch Chamber (Tweede Kamer) on 5 June and is currently being discussed in the Dutch Senate (Eerste Kamer). The Senate Committee for Economic Affairs met on 25 September to discuss the proposed text. On the basis of this discussion, a temporary report will be published and a decision on this topic is expected in the coming months.

With the opening of the German and Dutch markets as well as the British, Finnish and Swedish ones more than the half of the European postal market will be liberalised at the beginning of 2008. The FFPI believes that this is a fact that cannot be ignored by decision-makers and that the upcoming EU Council decision on the Postal Directive should take into the utmost consideration.

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In our experience, it is not possible to have real and efficient competition on the postal distribution services with no access to the items of correspondence weighing less than 50 g. That is why a postponement of the date of full opening of the market would be very bad news for the postal sector and its customers.

That is why we consider that, should the Council confirm the Parliament resolution and put off the date of liberalisation, the 3rd Directive should at least have to fully liberalise direct mail services as soon as possible. ■

Denmark on the way to Market Opening?

**By Jes Herbert,
Head of Legal and Public Affairs, CityMail Denmark**

The Liberalisation of the Swedish postal market is very well documented, and is beyond any doubt the best and most convincing example available of all the positive effects that follow a real and full market opening. The opening of the Swedish postal market was initiated by the Swedish government in 1993, where the incumbent operator Sweden Post's monopoly was abolished, and the postal market completely liberalised. Market liberalisation was the beginning of a prosperous and educational journey for Sweden Post, a journey that turned Sweden Post into one of the world's most efficient and profitable high quality postal operators. Sweden Post has managed to reach this position as one of the leading postal operators in terms of efficiency, quality and profitability despite its obligation to provide the universal service in Sweden and without any kind of economic or other compensations for having this obligation. The decision not to compensate Sweden Post was based on a thorough study of the pros and cons of having the universal service obligation, a study that came to the conclusion that the obligation was not an unfair burden on Sweden Post.

The most important reason for this outstanding performance is the competition that Sweden Post has been exposed to since the market opening, as several studies from independent governmental bodies and academics have documented. One of the main drivers for this development has been CityMail that was and still is the main competitor to Sweden Post. CityMail started its activities on the Swedish market in 1991, when the liberalisation process took off. After some very turbulent and loss making years, CityMail finally turned profitable in 2004 – almost 14 years after its establishment. Today CityMail is a successful and profitable operator covering close to 50% of the total number of households and companies in Sweden.

After 15 years in the Swedish market, CityMail was ready to begin a cross border expansion of its business, and consequently CityMail Denmark was established in 2006. The organisation was set up during 2006, and by 1 January 2007 CityMail Denmark started its distribution activities covering 40% of all Danish households and companies. The market that CityMail entered in Denmark is currently identical to a number of other markets in Europe in terms of postal regulation, where the incumbent operator Post Denmark is granted an exclusive right to distribute letters below 50 g as compensation for having been designated as the universal service provider. Hence close to 80% of the total volume of addressed mail is covered by Post Denmark's monopoly.

But there are many indications that the current market situation and the regulatory conditions will change within a foreseeable period of time. In the yearly status report from the Danish competition authorities published in June this year, the postal sector was thoroughly scrutinised and granted its own separate chapter in the report. The review of the competitive situation in the Danish postal market was followed by a strong recommendation from the Danish competition authorities that a full liberalisation of the Danish postal market would be advantageous to customers and other stakeholders.

The recommendation from the competition authorities combined with increased attention in the Danish media about Sweden and all the positive effects of the Swedish market opening have resulted in a shift among a majority of the Danish Parliament's members from a neutral to a positive attitude regarding full market opening in Denmark in 2009, based on the "Swedish model". Currently the debate focuses on the financing of the universal service obligation, where the previously mentioned status report from the competition authorities proves that the universal service obligation will not be an unfair burden on Post Denmark. Not surprisingly Post Denmark does not share this view, and claims at the same time that a calculation of the universal service obligation is impracticable. Taken into consideration that others, including the Swedish government, have managed to make the calculation, the statement from Post Denmark seems less plausible. By comparing Denmark and Sweden, where Sweden is a much bigger country with a much more challenging geography, infrastructure and population density it also seems rather unlikely that the universal service obligation should be an unfair burden on Post Denmark.

So from an "open market supporters" point of view there are a number of encouraging indications that Denmark in 2009 will join the club of visionary countries that have accomplished a real and full opening of the postal market.

about the lack of time to adapt to market opening ample possibilities to catch up.

However, it is important to remember that the Postal Directive only represents a minimum framework and it leaves the possibility to member States to anticipate its deadlines. The example of countries like Sweden and the UK that have already fully opened their postal market successfully and of Germany and the Netherlands, which will soon follow, demonstrates that competition in the mail sector has brought a number of advantages in terms of choice and quality of service, and has guaranteed the maintenance of the universal service. Moreover, in addition to providing legal certainty to all stakeholders, full market opening offers considerable opportunities for dynamism and growth of the postal sector and for completing the Internal Market for Services, as often pointed out by Commissioner McCreevy.

Concluding its letter, the FFPI urged national representatives to take into account the needs and wishes of users and market players and, thus, to support a compromise agreement that, based on the Portuguese Presidency's text, would finally conclude a lengthy process and a long awaited decision. ■

Philippe Bodson

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visit our **BLOG on www.freefairpost.com**

- **1 October 2007:** Transport, Telecommunication and Energy Council, Luxembourg
- **19 April 2008:** 9th World Mail Award, Budapest, Hungary
- **20-21 April 2008:** World Mail and Express Europe, Budapest, Hungary
- **28-31 May 2008:** CRR1 16th Conference on Postal and Delivery Economics, Albufeira, Algarve, Portugal



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events**