

# Newsletter

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Free & Fair Post

## EDITORIAL



Philippe Bodson

### The last step towards liberalisation

*2007 has been a busy and fruitful year for the postal sector and we hope that 2008 will mark the end of a very long and interesting process, the debate about liberalisation of postal services in the European Union.*

*In a few days the European Parliament will cast its final vote on the proposed Third Postal Directive, which should conclude the era of postal monopolies.*

*If the Directive is adopted by the plenary as it stands, member States will have to fully and unconditionally open their market at the latest on 31st December 2010, with a two-year exemption for some countries.*

*But let's not forget that the Directive is a minimum framework and does not stop member States anticipating the proposed deadlines, by following the example of countries that have already fully opened their postal market successfully.*

*The vote of next week is indeed key, but is not the end of the story. The success of postal liberalisation will in fact depend on how member States will implement the Directive. Backstage manoeuvres to introduce barriers and protectionist rules that risk hampering access to new entrants in the market have to be avoided. Competition must be considered as an opportunity rather than a challenge by postal operators as a level playing field will finally be created where all can benefit from.*

*As I have put it in a letter to MEPs, there are no more excuses for postponing this long awaited decision in the EU, and the text of the common position should be adopted with no amendments.*

*Philippe Bodson*

## VIEWPOINT

### *Third Postal Directive: upcoming vote in plenary*

**By Markus Ferber, MEP  
Rapporteur on the Postal Services Directive**

More than 15 years ago, the Commission's Green Book on the development of a common market for postal services laid the foundation for an opening of postal markets in the European Union - a development which can now be finalised.

The negotiations with the Council for the third Postal Services Directive were concluded under the Portuguese Presidency in October and it is up to the European Parliament to take a further step towards the postal markets' liberalisation with a positive vote in the plenary in Brussels on 31st January.

We have finally reached a consensus to open up the markets across the EU for letters weighing 50 grams or less which will provide for greater competition and lead to both lower prices and better service for consumers. Furthermore, good conditions for increased growth and employment in this sector will be created as in each Member State regulations regarding tariffs and employment law have to be observed.

The Council's position positively reflects the Parliament's position in the first reading:

The deadline for market opening was set for the end of 2010, so that Member States which are lagging behind are given more time to adjust.

Until the end of 2012, Member States that have already opened their markets can oppose the entry into their own markets of operators which are still being protected by a national monopoly to avoid unfair competition and market distortion.

The universal service with at least one delivery and collection five days a week is guaranteed to the full extent and postal networks with a sufficient number of access points in rural or sparsely populated regions.

Even if the Council made some changes in the Directive's structure, the Parliament's key issues in the first reading were not affected. Rather the Council explicitly named the Czech Republic, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, Romania and Slovakia as those 11 Member States which are allowed to postpone full market opening until the end of 2012 and provided a guidance on the calculation of net costs arising from universal service provision.

For European consumers, for providers and to guarantee a postal service of the best quality with innovative products, we need to start bringing about the abolition of national monopolies in the postal sector at the end of 2010.

### ***The Postal Directive and Direct Mail***

**By Alastair Tempest, Director General of  
the Federation of European direct and interactive marketing (FEDMA)**

***The Federation of European direct and interactive marketing is the single voice of the European direct marketing industry. Its national members are direct marketing associations (DMAs) representing users, service providers and media/carriers of direct marketing. FEDMA also has more than 200 direct company members.***

Over 15 years ago, when the Green Paper on the Liberalisation of Postal Services was published by the European Commission, very few people would have guessed that it would take so long to complete the open market for postal services in the EU. Two of the 12 Member States from way back in 1992 will have had over 21 years to prepare for an open postal market in their countries!

However, there have been monumental changes in the market place – many very positive – which have particularly affected the direct marketing business. First, the digital revolution, starting in the late 1990s, did not kill direct mail. Direct mail has in fact flourished, partly as a result of the new electronic communications. e-Commerce has found solid support in the mail – both to provide information/advertising and also to fulfil consumers' on-line orders.

Second, logistics have improved enormously, partly in response to business to business "just in time" stockage systems. Third, new entrants have appeared in the market place. Some have struggled and survived, others have come and gone, but today the post market for the direct mail sector is very much different than it was in 1992. Competition has (more or less) held prices to reasonable levels; competition has also increased quality of service; and the independent national regulators have been able, in most countries, to ensure a greater transparency and better services. All these major developments have helped keep direct mail volumes high and ensure that the market is vibrant.

Now that the 3<sup>rd</sup> and last Directive is going onto the Statute book can we sit back pleased with the result? Certainly this is no time to relax! There are a vast number of issues still to follow through both at national and EU level; and also initiatives, like the standardization of the postal process via CEN, which will remain on the EU level for sometime.

The success of postal liberalisation will depend, country by country, with the postal services themselves. Hopefully they will see their customers (such as direct mailers) as partners to work closely with, to grow business, to innovate and thus to prosper.

## ***COUNTRY FOCUS - WHAT'S NEW IN THE MEMBER STATES***

### ***A bumpy path for postal liberalisation in Germany***

***Despite indecisions and diverging views within the Government coalition, Germany fully liberalised its postal market on 1 January 2008. However, a de facto monopoly by Deutsche Post risks remaining due to the new national regulation introducing a minimum wage for German postal workers. Is a free and fair market for postal services in Germany still far on the horizon?***

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.

However, at the end of November, the German parliamentary upper house, the Bundesrat, agreed that 220,000 postal workers should be granted a minimum hourly wage of 8 to 9.80 € from 1 January 2008. This decision was welcomed by Deutsche Post that already pays its employees around 11 € on average but the competitors of Deutsche Post will have more difficulties to pay this salary as their average hourly wage is of 7.94 €.

This decision was sharply criticised by economists and other business leaders that consider it as a threat to jobs and as an obstacle to the liberalisation of the postal market.

The main competitors of Deutsche Post, TNT and Pin Group, complained that this new regulation constitutes a barrier for new entrants. Pin Group has already closed 7 of its 99 branches and made 800 employees redundant.

At the same time, the German government is also discussing Deutsche Post's VAT exemption. For the moment, Deutsche Post is the only postal provider in Germany that benefits from this exemption.

In light of the German developments, the Dutch State Secretary for Economic Affairs, Mr Heemskerk decided to postpone the liberalisation of the Dutch postal market to a later date which is still to be announced. Mr Heemskerk was reported as saying that there were too many uncertainties regarding the German postal market, and, based on that, liberalising the market on 1 January would be 'careless'.

The VAT exemption is an issue that has to be solved as it could become an instrument for some to condition and impede liberalisation of postal services across the EU. Postal operators are calling the Council of the EU to reopen the discussion on the Commission proposal to suppress this VAT exemption. However, neither the Slovenian Presidency nor the French one seems to support this idea.

Postal users believe that market opening should be unconditional and that there are no excuses for member States with modern and solid postal systems to postpone it.

## STAMP TARIFFS CONTINUE TO INCREASE IN 2007

### Postal users express concern about confirmed trend for growing tariffs

The FFPI recently issued its 7<sup>th</sup> survey on stamp price in the European Union. The results of the study raised concerns amongst postal users. In more than half of the Member states stamp price for basic domestic letters has increased and it seems that this trend will continue in 2008.

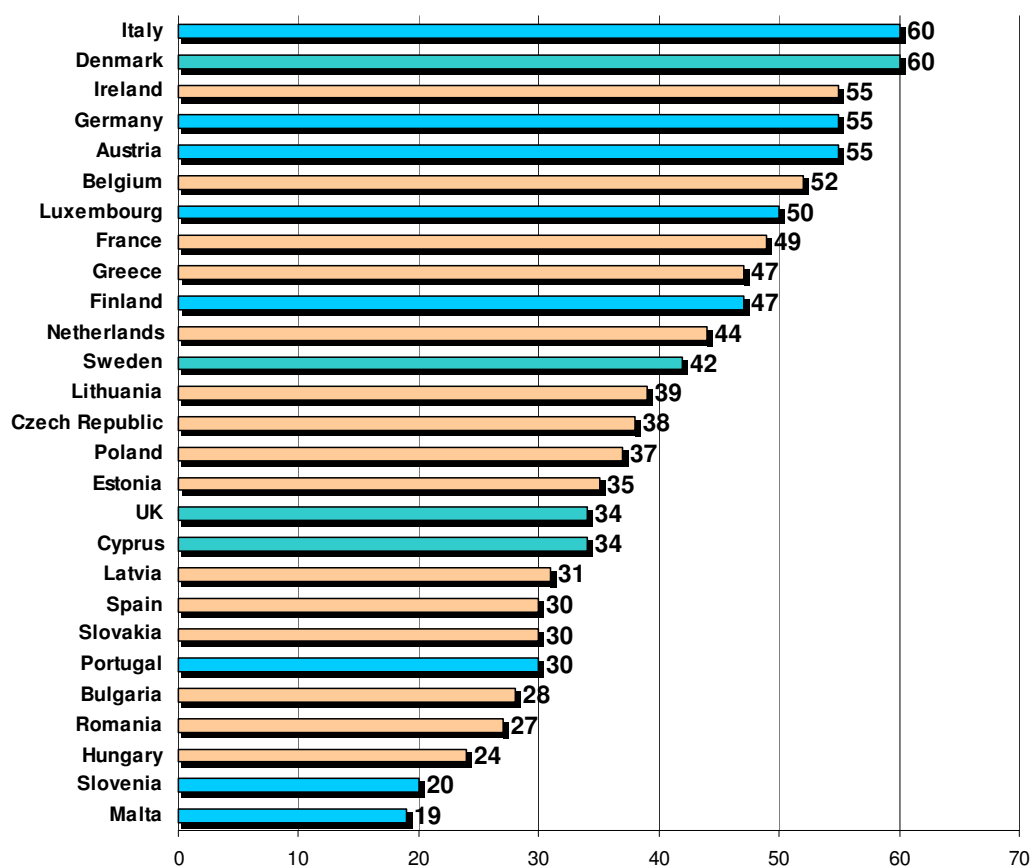
In 2007, the FFPI noticed an increase of the price in 14 Member States: Belgium, Bulgaria, Czech Republic, Estonia, France, Greece, Hungary, Ireland, Latvia, Lithuania, Netherlands, Poland, Slovakia and Spain. The situation is thus worse than in 2006 when stamp price increased in one third of the member States. The biggest increase is in Czech Republic, followed by Ireland, Estonia and Lithuania.

Prices remain the same in countries where postal services markets are already liberalised such as Sweden, Finland and the UK.

Users of postal services are concerned that postal operators are often over charging for their basic service and are convinced that full liberalisation is the only way to stop this tendency. Article 12 of the current Postal Directive outlines that prices shall be affordable, cost-oriented, transparent and non-discriminatory. The FFPI considers these provisions of extreme importance for safeguarding postal users and preventing abuses.

Mr Bodson, President of the FFPI, commented: "Postal users are very concerned about the increase of prices in most of the Member States. It is interesting to note that in Member States that have already opened their market stamp prices remained the same during last year. This is a very good sign for the future of the market and confirms that postal liberalisation will not bring the chaos that some people had announced. On the contrary it is demonstrated that liberalisation brings stability in prices."

EU - 27 Stamp price Chart - Prices in Euro Cents



Exchange rates calculated on 24 January 2008 at 15.48 GMT  
Source: <http://finance.yahoo.com/currency> Universal Currency Converter

## RECENT EVENTS

### *The FFPI facilitated an exchange of views with postal stakeholders*



**On 22 January 2008, the FFPI organised a dinner with decision-makers and stakeholders in the postal sector. The forthcoming vote on the Postal Directive was the focal topic for discussion as well as issues such as the introduction of a minimum wages for postal workers in Germany and the question of the VAT exemption for the national postal operator in some EU member States.**

Philippe Bodson, President of the FFPI, opened the discussion by welcoming the participants to the dinner and outlining the FFPI's position regarding the forthcoming plenary vote. He highlighted that if the Parliament approve the Council Common Position without any amendment it will be the achievement of a very long and interesting process that has started 20 years ago. However, Mr Bodson added that the FFPI was aware that the adoption of the Directive would not be the end of the story and that there will still be a lot of work to do with the implementation of the Directive.

MEP Ferber agreed with Mr Bodson that even if the Directive is adopted lots of work will still have to be done. Mr Ferber also highlighted the improvements that have already been achieved during the last 15 years insisting on the fact that postal services have already improved a lot and that the final decision to fully open the postal markets has now to be taken.

Mr Ferber also emphasized that there has been a strong collaboration between the Parliament and the Commission during all the discussion process. Reaching an agreement on this sensitive topic was not an easy task.

During his speech, Mr Reinbothe insisted on the fact that, if the Directive is adopted, the Commission will closely monitor its implementation in the 27 Member States and will help them with this process. National regulators will have a key role to play at that time, he added.

During the questions and answers session, some specific topics were raised such as the VAT exception of the introduction of a minimum wage for postal workers in Germany.

Mr Sture Wallander from the Swedish Post and Mr David Sibbick from the Mail Competition Forum, highlighted the fact that VAT exemption, which is granted to some national operators, creates a distortion between the historical operators and the new entrants.

Mr Reinbothe responded to their concerns by saying that the VAT exemption was a very sensitive topic that is pending in the Council. The Commission is in favour of the suppression of the VAT exemption but member States are still divided on this question, he explained.

Regarding the minimum wage, Mr Thijs from Belgian Post, asked what the position of the Commission on this topic was. Mr Reinbothe and Mr Ferber said it was important to demystify the question of the German minimum wage outlining that minimum wage legislation exists in many member States. However, Mr Reinbothe stated that the Commission will closely monitor wage legislation to guarantee that the level of the minimum wage does not create barriers to new entrants.

There was a broad consensus amongst the participants on the need to adopt the current text of the Third Postal Directive to fully open national postal markets.

- **16-17 April 2008:** 14th CEPT Conference "Technology and regulation, Strasbourg, France"
- **19 May 2008:** 9th World Mail Award, Budapest, Hungary
- **20-21 May 2008:** World Mail and Express Europe, Budapest, Hungary
- **28-31 May 2008:** CRR1 16th Conference on Postal and Delivery Economics, Albufeira, Algarve, Portugal

