FFPI VIEWS
Postal Liberalisation: "Gradual and Controlled"

Up until now "gradual and controlled" referred to the EU snail speed process of market opening for postal services. Recent increases of stamp prices in some EU Member States might however require expanding the notion of "gradual and controlled" to tariff setting too, with the difference that in this new context, the notion would actually make full sense.

Those who follow the process of liberalisation of the postal sector in Europe are certainly familiar with the expression "gradual and controlled". Already in the early days of a Community postal policy, resistance from some made it impossible to open up the postal sector overnight, making a phased approach to liberalisation the only practicable way ahead.

The 1992 European Commission's Green Paper on the development of the Single Market for postal services[1], already then indicated a preference for a scenario that calls for an equilibrium between further market opening and the strengthening of the universal service. *"The liberalisation process ought to be implemented in a gradual manner"* recites the Green Paper (page 7). Furthermore, the first Postal Directive (97/67/EC) states in recital 8: *"Whereas measures seeking to ensure the gradual and controlled liberalisation of the market and to secure a proper balance in the application thereof are necessary in order to guarantee, throughout the Community, and subject to the obligations and rights of the universal service providers, the free provision of services in the postal sector itself".*

Since 1997 a number of developments have taken place in the European postal sector. With the initiated liberalisation process, the market place has begun to change, although only very gradually and almost entirely unnoticeable for the majority of consumers but, nevertheless, bringing an improved environment for both users and market players. Some operators have started transforming into modern service providers, while others are only now coming to grips with the challenges and reforms that they are facing. Overall, it thus appears that the phased strategy chosen for the postal sector has brought about a number of benefits for both consumers and operators in terms of choice and quality of service. One must ask oneself, however, how many jobs, investment opportunities that would have been created and how much consumer choice would have improved had liberalization already taken place.

As indicated in the latest Commission Report on the implementation of the Postal Directive, transposition of the existing Directive by the Member States is almost a done deal. However, a striking example of a Member State which is lagging behind with the application of the EU postal law is France, where only recently its legislative bodies have gone through the national text needed to review the changes necessary to fully implement the 1997 and 2002 Postal Directives. After a clear hint from the European Commission that it was behind schedule, France is now looking, among other key

[1] (COM (91) 476 final, 11 June 1992)

provisions of the Postal Directive, at the introduction of an independent regulatory authority for the postal sector.

As provided in the Postal Directive, the national regulatory authority is the body that, inter alia, should ensure compliance with transparency of cost allocations and information on the accounts of the universal service provider. These accounting systems should allow the relevant authorities to ensure that prices of postal services are geared to cost, transparent and non-discriminatory. These are fundamental rules in the EU law that are necessary if new market entrants should have the slightest chance to ensure that there is a level playing-field between the incumbent and other operators.

The absence of an independent Regulator in France has however not prevented the increase of the price of stamps in the past years that has not been vetted by an independent authority in the general interest as set out in the EU Directive. The latest price increase, which took force on 1 March this year, has seen a substantial raise in the domestic tariff from 50 to 53 Eurocents, 6 % more. This appears as one of the clearest examples of a worrying not very gradual and sometimes uncontrolled price increase trend.

The FFPI, as indicated in its annual stamp price surveys, is strongly concerned about the continuing tendency towards price rises in the EU-25, and wonders how legitimate a price increase that has been agreed in the absence of an independent regulatory authority can be. Who is controlling the performance of the universal service obligation and whether it requires an increase in prices? Tariff setting for public services should always be subject to strict regulatory controls. Whereas the incumbent is at the same time involved in providing universal and commercial services, lack of control by an independent body is likely to lead to excessive pricing and encourage abuse of dominant position. There is a risk that higher postal rates are used for funding other activities in the commercial area, leading to competitive distortion. Even in the absence of monopolies, dominant universal service providers should remain subject to strict pricing controls.

Separation of the Universal Service Providers' activities – not only accounts – might be a way to keep universal service price changes gradual and controlled as it would allow for more transparency with regards to cost and quality of the universal service.

Postal users wish their concerns as regards pricing in the postal sector will be taken into accounts by decision-makers and all interested stakeholders in the debate leading to the elaboration of the next Postal Directive.

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