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National watchdogs key to EU mail competition plan

European Union plans to prise open national postal markets to full competition by 2009 may hinge too much on domestic watchdogs to enforce the rules properly, campaigners said on Friday.

EU Internal Market Commissioner Charlie McCreevy will table long-due plans this month to complete the last leg of a three-part scheme for liberalising mail services and creating an internal market. But even before publication, lobbying by new entrants and incumbents is being stepped up.

A draft obtained by Reuters indicates that McCreevy wants to avoid a clash with member states in an area that employs up to 5 million people, typically unionised and in the public sector. EU plans for sweeping liberalisation of other services had to be watered down following street protests.

Postal services accounted for 90 billion euros (\$114.4 billion) or 0.9 percent of the bloc's economic activity in 2004, the draft said. In a new departure, states would have wide leeway on funding universal service providers, which commit to deliveries and collection across a whole country." These alternatives include the use of public procurement procedures, internal cross-subsidies in the case of public undertakings ... and public compensation," the draft said. Domestic watchdogs will be beefed up so they can enforce the new rules, the draft said, but campaigners fear this may not be enough.

"It's the area that could go seriously wrong. If the national regulator operates properly then the whole lot falls into place," said Alastair Tempest of the Federation of European Direct and Interactive Marketing, representing major users.

Some doubt the 2009 target date can be met as the EU is a patchwork of liberalisation, with new member states and some old ones such as Belgium still to make big changes.

In Sweden and Britain, where Deutsche Post <DPWGn.DE> and Dutch TNT <TNT.AS> operate, there is extensive competition. Campaigners are disappointed that McCreevy has also left it to national watchdogs to ensure fair access for new entrants, avoiding EU regulation in this area.

The Free and Fair Post Initiative, which lobbies for new entrants, wrote this week to each commissioner, urging them to ensure full liberalisation happens in 2009. Posteurop, which represents incumbents, was not available for comment.

The European Parliament and member states will have the last word on McCreevy's plans."I think 2009 is one of those issues to be negotiated between parliament and council (member states)," said lawmaker Markus Ferber, who authored a report on postal services liberalisation in the assembly this year.

There are also differences among countries on what a universal service should be and McCreevy had to give states wide discretion due to pension scheme obligations, Ferber said. "It will be up to the Commission to safeguard that those national authorities are linked together and that we have a common approach across Europe," Ferber said.

There are doubts over how many new entrants will step forward in this area as letter writing falls out of fashion and people use emails and mobile phones to contact each other and pay bills online.

The draft says 87.5 percent of letters are now sent by businesses and organisations, rather than individuals.

((Reporting by Huw Jones, editing by Dale Hudson; Brussels newsroom +32 2 287 6817, huw.jones@reuters.com))