

POSTAL SERVICES:

PARLIAMENT AND COUNCIL AGREE ON FURTHER LIBERALISATION

The European Parliament has agreed with the EU Council of Ministers to open a further 20% of the European Union's postal markets to competition. In their second reading of the new draft Directive on postal liberalisation, MEPs on March 13 overwhelmingly endorsed the Council's common position. Their stance, which is also backed by the European Commission, signals an end to the long-standing and emotionally charged battle over the future of Europe's postal service.

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The three largest political groups, the European People's Party, the Socialists and the Liberals, threw their weight behind the delicately-balanced compromise. But some of the smaller groups, such as the Greens and European United Left, voted against the deal. They argued that the proposal did not guarantee the universal postal service and would threaten social cohesion in isolated rural and disadvantaged urban communities. By contrast, EU Internal Market Commissioner Frits Bolkestein declared that the agreement allowed sufficient time for all the market players to prepare for further liberalisation. Welcoming the compromise, the Parliament's rapporteur, Markus Ferber (EPP-ED, Germany) said that by 2006, 49% of Europe's Euro 41 billion postal market would be open to competition. But he admitted that "complete liberalisation is not at present possible in Europe". "In the common position there is at least the possibility of a complete liberalisation by the year 2009 which is kept open. I consider that a complete liberalisation is necessary before the end of the decade", added Mr Ferber.

The following are the essential elements of the deal:

- * There will be an open market in ordinary domestic and outgoing cross-border mail weighing more than 100g from 2003, and 50g in 2006 (the current weight limit is 350g).
- * The Commission will then evaluate the impact of liberalisation on the postal service and may propose further market opening in 2009, which would have to be approved by both Parliament and Council.
- * The "special services" definition - which prevented the public operator reserving added-value services, such as tracking and tracing and guaranteed delivery time - has been deleted.
- * The net effect will be to increase the proportion of Europe's letter market (which does not include the already-liberalised package market) open to competition from some 3% to an estimated 23%.

The MEPS approved three minor amendments to the Council's common position, which oblige the Commission to keep Parliament and Council regularly informed of how the Directive is being applied in practice. Mr Bolkestein has already accepted these amendments and the Council is likely to do the same. Once the compromise text is rubber-stamped by the Council, the Directive will be definitively adopted.

In March 2000, EU leaders agreed at the Lisbon Summit to speed up the liberalisation of all of Europe's markets. Then on May 30, 2000, the European Commission tabled a draft Directive to further open up the postal sector to competition. At the Telecommunications Council on December 22, 2000, Member States could not agree on a watered-down version tabled by the then French EU Presidency. Contrary to expectations, Sweden did not use its Presidency to reach a deal. Instead, the March 2001 Stockholm European Council merely set a deadline of the end of 2001 for adopting the Directive. The European Parliament gave a resounding "no" to the Commission's proposal in its first reading of December 14, 2000.

Industry welcomes vote. The European Express Association (EEA), which represents the private express carrier industry, has welcomed the vote: "This modest step towards establishing fair competition is long overdue", stressed EEA Chairman Mark van der Horst on March 13. However, the EEA remains sceptical about whether the compromise will make Europe's postal market truly competitive. It doubts the Member States' willingness to fully implement the Directive and fears they will use revenue from the reserved sector to fund services provided in the open market (cross-subsidisation). And it points out that even by 2006, 75% of the letter market will still be subject to a monopoly.

Meanwhile, the pro-liberalisation Free and Fair Post Initiative (FFPI) described the vote as "an improvement compared to the Parliament's original position ... but clearly insufficient". FFPI President Philippe Bodson said "it would amount to self-delusion if EU leaders now would tell themselves and EU citizens that postal liberalisation will be accomplished if the proposal is finally voted". The FFPI, which represents users and competitors of public postal operators, wants a deadline to be set for achieving full market opening. It also says that when the Commission is assessing the impact of liberalisation, it should focus on the views of the consumers, not the postal monopolies.