

Deal should be an 'example' to others

Leading Europe on access price

Bosses at Royal Mail have made assurances the first access deal in Europe will not undermine its ability to provide a universal service

Following months of intense wrangling with regulator Postcomm over the access price to its network, Royal Mail has signed the first agreement of its kind in Europe with private firm, Business Post.

The price has finally been set at 13p for letters weighing less than 60g and 13.375p for letters already sorted to delivery offices.

From April 2004, the Business Class service run by Business Post's subsidiary, UK Mail, will offer large mailers, initially businesses mailing more than 4,000 and typically more than 10,000 pre-sorted letters a day, two-day mail delivery with track-and-trace up to the point of hand over to Royal Mail, and flexibility of collection. The two companies have also agreed to work together to trial access at delivery offices.

Adam Crozier, Royal Mail's chief executive commented: "The contract we've signed gives Royal Mail a commercial income stream without undermining our ability to continue providing a universal service to the UK. Those are the key considerations. We've demonstrated that it's possible to reach a commercial agreement on access while safeguarding the universal service.

"The agreement is a landmark. It's the first access deal of its kind in Europe and it marks a new phase in the development of competition and choice in the UK mail market."

Long time advocate of the UK's deregulation model

in postal services in the UK. It enables UK Mail, a rival operator, to pay Royal Mail to use its nation-wide delivery network. It also sets a valuable benchmark for other customers and licensed operators who may wish to use Royal Mail's extensive network in a similar manner.

He also stated that Postcomm was happier to use a lighter touch when regulating this part of the industry: "It is far better the parties involved have negotiated their own access arrangements rather than have the terms and conditions imposed by Postcomm. Our determination document will not now be published, but instead we will shortly be producing a paper that will give guidance to other companies interested in access to Royal Mail's delivery network."

UK Mail originally asked Postcomm to determine the terms and conditions, including the price, of access to Royal

Mail's network. However, in December 2003, just before Postcomm was due to publish its determination, the two companies announced they had re-opened negotiations. At their request, Postcomm agreed to postpone publication to give them time to work out the finer details of the contract.

president of European lobby group, The Free and Fair Post Initiative, Philippe Bodson welcomed the deal: "The agreement sets a good precedent for other operators that might want to start using Royal Mail's delivery network in the future. The accord marks the elimination of one of the last existing barriers to full competition in the UK postal market," he commented.

"Elimination of one of the last existing barriers to full competition in the UK"

"The agreement will allow faster entry and further penetration of the UK market by other operators. I would like to see the UK's courageous initiative to take a faster liberalisation pace than the EU framework being adopted as an example to other EU member states," added Bodson, who praised the UK's approach to liberalisation when speaking at a conference within POST-EXPO in October 2003.

Postcomm said it welcomed the agreement, saying it marked an important step forward for competition in postal services. Postcomm said it was satisfied that, based on reasonable assumptions, the prices agreed between the parties ought to generate a similar amount of revenue for Royal Mail as would have been the case under the proposals Postcomm had been planning to publish in December.

Postcomm chairman Nigel Stapleton said: "This is the first agreement of its kind and a landmark for competition

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"Negotiated their own access arrangements"

Business Post's chief executive, Paul Carvell, stated: "Our access agreement represents a highly satisfactory basis on which Business Post intends to build a substantial, profitable business." Crozier added the deal signalled that Royal Mail was ready to negotiate similar contracts with other operators.